

## **The complaint**

Miss W complains that National Westminster Bank Plc ('NatWest') irresponsibly gave her a credit card account she couldn't afford.

## **What happened**

In April 2010, Miss W applied for and was granted a credit card account with NatWest with a credit limit of £1,350. There were no credit limit increases after that.

Miss W complained to NatWest, saying that she shouldn't have been given the account and that NatWest ought to have made a better effort to understand her financial circumstances at the time.

Our investigator didn't recommend the complaint be upheld. Because Miss W didn't agree, the complaint has been passed to me for a decision.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

NatWest will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

To fully consider the merits of Miss W's complaint I've looked at two main questions:

*Did NatWest complete reasonable and proportionate checks to satisfy itself that Miss W would be able to repay the credit in a sustainable way?*

Miss W's complaint is that NatWest provided her with a level of credit that was unaffordable. NatWest has explained it carried out a credit check using the information Miss W provided on her application as well as information obtained from a credit reference agency. It was then able to work out what credit it was able to offer.

Before granting the account, NatWest looked into Miss W's financial situation, including the way she was managing her existing credit. I've seen that Miss W told NatWest she had a monthly income from her work of £800 and was living with her parents. From the credit check it carried out, NatWest saw that Miss W had a good credit history with no recent

adverse markings on her credit file. Having made an allowance for her living costs and the modest amount of credit she already had, NatWest calculated that a credit limit of £1,350 was likely to be affordable.

I agree with our investigator that NatWest could have carried out better checks before granting the credit and that, especially given the relatively generous opening credit limit when considered alongside her declared income. One way to do this would have been to verify Miss W's income so as to ensure that she'd be able to make monthly sustainable repayments. This would be relatively easy given that Miss W was already a NatWest banking customer. Whilst I've seen that NatWest asked Miss W to provide details about her income, I think better and more proportionate checks would have enabled NatWest to gain a more thorough understanding of Miss W's financial circumstances before agreeing to open the account and then allow Miss W to immediately use a substantial amount of the available credit limit.

#### *What would proportionate checks have shown?*

I see NatWest has sent us bank statements from which our investigator worked out that in the three months before she took out the card, Miss W was earning a net average monthly income of around £900 – around £100 higher than what she'd told NatWest when she made her application. I agree with our investigator that the fact that Miss W was using her overdraft was a potential issue of concern. But given that it was chiefly being used as a financial buffer between being paid each month, I think its use was less likely to suggest a risk that her financial position might be deteriorating. Having said that, it appears that Miss W's housing costs were limited at the time which is consistent with her living at home. I am in no doubt that she was making some level of payment towards household costs, but this still left her able to adequately fund a level of non-essential and leisure spending.

I think all this demonstrates that at the time Miss W appears to have had enough disposable income available each month to make regular, sustainable repayments towards her new credit facility. Had NatWest therefore chosen to complete better checks before granting the credit, I think it's likely it would have discovered this too. So I can't reasonably conclude that NatWest ought to have known she might struggle to make the repayments. I'm therefore not persuaded that NatWest acted unfairly in approving her for the card with the limit it gave her.

It follows that I don't think it needs to do anything more to put things right.

#### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 20 May 2024.

Michael Goldberg  
**Ombudsman**