

The complaint

Mr L complains that National Westminster Bank Plc (“NatWest”) lent to him irresponsibly when it gave him a loan that he says he couldn’t afford.

What happened

Mr L took out an unsecured loan for £11,000 with NatWest in May 2022. The loan was repayable over 99 months at a cost of £204.97 a month.

Mr L says that NatWest failed to conduct sufficient checks on his individual financial position. He thinks NatWest was negligent in allowing him to take the loan. He asks that NatWest pay back all interest and any charges he paid.

Our investigator didn’t think Mr L’s complaint should be upheld. Mr L disagreed.

Our investigator reviewed the further points Mr L made but concluded it didn’t make a difference to their view. As Mr L didn’t agree with the investigator’s view his complaint has been passed to me to make 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.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I’ve taken that into account when I have considered Mr L’s complaint.

Having done so, I have come to the same conclusion as that of our investigator. I will explain why I have reached this decision.

It should be noted that Mr L has made complaints about other borrowing. This decision relates only to the loan taken in 2022.

NatWest needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr L could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr L’s income and expenditure.

Certain factors might point to the fact that NatWest should fairly and reasonably have done more to establish that any lending was sustainable for Mr L. These factors include things like understanding Mr L’s income, the total amount Mr L borrowed, and the length of time Mr L had been indebted. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. For smaller sums

and in the early days of a lending relationship it may be reasonable for fewer checks to be completed.

Mr L applied for the loan online and NatWest completed a credit check. However, it's not clear that this would have been sufficient for NatWest to fully understand Mr L's financial and personal circumstances, including his complete income and expenditure. I think this was important because the loan was reasonably large and was repayable over a long period of time. He also had considerable credit commitments elsewhere.

Mr L had an existing relationship with NatWest and he banked with the business, so I think it was reasonable for NatWest to have verified the information it had about his income and expenditure by reviewing these statements.

Mr L supplied information about his circumstances at the time and we have reviewed this information to assess whether Mr L could have sustainably repaid the loan. From this information I can see that after Mr L met all of his essential monthly living expenses, financial commitments and repayments on the new loan he would have had in the region of £530 left in disposable income.

In fact, Mr L was using the loan to consolidate other borrowing, including his overdraft with NatWest and another bank and two credit card balances. He declared this in his application for the loan and NatWest was entitled to rely on this information when assessing whether the lending was affordable. Indeed, Mr L did use the loan to do this.

The new borrowing would have reduced the amount he was paying in interest on that other borrowing. Once this was taken into account Mr L's disposable income was much higher – in the region of £940 a month. By taking the loan he was actually improving his financial position.

I note that Mr L says that he was gambling and that this was a problem for him. However, while I accept this was the case for Mr L over the course of a number of years, in the months around the time he took the loan he did not appear to be spending to excess on gambling.

In his response to our investigator's initial view, Mr L mentions that he asked to increase his overdraft with NatWest around the same time, but this was declined. He submits that this means he shouldn't have been allowed to then take out the loan. I don't have any further information about the request to increase his overdraft, but in my view this doesn't support Mr L's complaint. Overdrafts can be an expensive way to borrow and should generally be for short-term unexpected borrowing. An increase in Mr L's overdraft may well not have been a sustainable way for him to borrow, whereas a loan which was intended to consolidate that overdraft and other debt at a lower rate of interest could be sustainable, as I have found in this case.

So, on the basis of the information I have available to me, I think NatWest ought to have completed further checks on Mr L's financial circumstances. But even if it had, I don't think it would have acted differently and not lent to Mr L and I don't think Mr L lost out as a result of NatWest's decision to lend to him.

I understand that Mr L has been struggling financially. I understand that meeting the repayments has been difficult. But I am unable to fairly say that NatWest acted unfairly, so I do not uphold Mr L's complaint. It follows that NatWest does not need to do anything further.

My final decision

I do not uphold Mr L's complaint and it follows that National Westminster Bank Plc doesn't

have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 17 May 2024.

Sally Allbeury
Ombudsman