

The complaint

Mrs E complains that The Royal Bank of Scotland Plc ("RBS") won't refund her the interest she paid on a loan she took out to fund an investment, which turned out to be a scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. But in summary, I understand it to be as follows.

In October 2021 Mrs E sadly fell victim to an investment scam which was funded, in part, by a personal loan that Mrs E took out with RBS for £7,000. Mrs E has since repaid the amount she borrowed, along with interest of £1,255.36, but she thinks RBS should refund this interest as the money was used to finance a scam.

RBS looked into Mrs E's complaint, but it doesn't think the interest should be refunded. In summary, it has said Mrs E agreed to the terms and conditions of the loan, which included the payment of interest.

Unhappy with RBS's response Mrs E brought her complaint to this service. One of our Investigator's looked into it, but didn't think the complaint should be upheld.

As agreement couldn't be reached, 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.

Having done so, I have reached the same outcome as our Investigator for largely the same reasons.

In reaching my decision I'm mindful that Mrs E brought a complaint to this service previously, against RBS, with regards to the loss she incurred through the investment scam she sadly fell victim to. That complaint resulted in RBS making an offer to refund the full amount she lost as a gesture of goodwill. Mrs E discussed this offer with our Investigator and ultimately accepted it. Any consequential loss from the scam was considered within that complaint, so I won't be considering that further here.

But I have considered whether RBS has done anything wrong in loaning Mrs E the money it did and, in the individual circumstances of this case, I don't think it has. I can see that RBS considered certain information before deciding to lend and I think in the circumstances these checks were proportionate. Mrs E's current account was held at RBS, which would have allowed it to verify her income and I can see that it considered Mrs E's outgoings, such as her mortgage. Alongside this it has carried out credit scoring before agreeing to grant the loan. Overall, I'm satisfied RBS has carried out proportionate checks that I would have expected it to.

I'm also mindful, in the circumstances of this case, Mrs E told RBS that the purpose of the loan was for home improvements. Mrs E went on to use the money for a different purpose, which unfortunately turned out to be a scam. But I don't think I can fairly or reasonably say that RBS had any way of knowing that the money would be used for investment purposes, such that it would have been aware of or been able to have foreseen any other potential risk in providing Mrs E with this credit facility.

All things considered, while I know this will come as a disappointment to Mrs E, I don't think RBS has done anything wrong in providing the loan. So I don't think it would be fair or reasonable for me to instruct it to refund any interest paid.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 29 February 2024.

Stephen Wise
Ombudsman