

The complaint

Mr B complains that National Westminster Bank Plc (“NatWest”) lent him a loan when it shouldn’t have.

What happened

NatWest lent Mr B a loan in May 2023, the loan amount was £10,000 for a 36-month period. Mr B’s monthly repayment on the loan was £370.28.

Mr B has said at the time of the loan, he lacked the mental capacity to make the decision to take out the loan. When Mr B complained to NatWest it didn’t uphold his complaint. It said it carried out sufficient checks that showed Mr B could afford the loan at the time of sale. It also said it didn’t find anything at the time that would have led it to conclude Mr B lacked capacity to take out the loan.

Mr B referred his complaint to the Financial Ombudsman Service where it was looked at by one of our investigators. Our investigator thought NatWest refusing to lend to Mr B simply based on the disclosure of his mental health was likely unfair. Our investigator considered whether Mr B could afford the loan and thought NatWest should have considered the information in Mr B’s bank statements before lending but thought these further checks would likely have demonstrated Mr B could afford the loan and so did recommend that the complaint should be upheld.

Mr B disagreed, he said his financial circumstances at the time meant he couldn’t afford the loan as his expenses exceeded his income.

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.

NatWest will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We’ve set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don’t think it is necessary to set it all out in this decision.

In summary, NatWest needed to ensure Mr B could afford to make his repayments on the agreement when it fell due throughout the term of the agreement. The relevant rules and regulations don’t prescribe what checks need to be carried out, but the checks need to be reasonable – taking into account the specific circumstances of the consumer.

The checks NatWest carried out before agreeing to lend were a credit check which also checked Mr B’s income into his account. NatWest hasn’t provided the results of its credit search but appears to state Mr B’s income at the time was around £3,600. Mr B has said he had a default at the time although I haven’t seen a copy of his credit file.

I'm mindful at the time of lending, Mr B was a current account customer with NatWest, and he had three active credit cards with outstanding balances on them. In these circumstances, I'd expect NatWest to have taken into account Mr B's borrowing history and as it had access to his current account bank statements, to have got a clear picture of Mr B's financial circumstances.

I haven't seen evidence to show NatWest took these into account, so I don't think its checks went far enough. NatWest has provided Mr B's bank statements and I've used this along with his history with NatWest to consider what his financial circumstances were.

From what I can see Mr B's average income over the three-month period before the loan was around £1,608.98. Mr B has told this service he lived with his partner at the time and made contributions of £360 towards the household expense. I've been able to identify this a regular payment. I can also see Mr B was making regular child support payments, driving lesson payments, payments to what appears to be a finance company and mobile phone payments.

Mr B's average living expenses from his bank statements were around £723. As Mr B used some of this loan to reduce his credit card debts, his payments towards his credit card reduced. Based on Mr B's income and his regular living costs including the credit card repayments, which was less than £1,000 in total, I think he had enough to repay this loan and have some disposable income left over to cover other expenses including food and travel. I appreciate Mr B has given a breakdown of his expenses in an email to this service and I've considered those based on the transactions in his bank statements. This is because had NatWest carried out sufficient checks, I think that's what it's likely to have seen.

I've thought about what NatWest knew about Mr B's mental health and whether it has treated him unfairly in relation to this.

Mr B has said he told NatWest about his mental health condition in a phone call in 2020. NatWest has said it has been unable to locate this call. There's evidence to show Mr B told NatWest about his mental health condition in an email exchange. While I don't know what was said during the phone call, from the information I have considered, I don't think there was enough for NatWest to conclude Mr B had no capacity to make financial decisions or that he needed support to manage his financial affairs. Had NatWest been aware of reasonable adjustments for Mr B's condition, I'd have expected it to make those reasonable adjustments had Mr B requested these. There isn't enough here for me to say NatWest should have declined Mr B's application.

Based on what NatWest knew about Mr B's mental health, I don't think NatWest should have refused his application on health grounds and it wasn't unfair for NatWest to grant him credit in the circumstances. Also, looking at Mr B's financial circumstances at the time, I think he could afford the repayments on the loan at the time it was lent. I appreciate Mr B's circumstances may have changed after the loan was agreed but this wasn't something that would've been apparent to NatWest at the time.

Overall, I don't think NatWest treated Mr B unfairly by granting him the loan in these circumstances. It appears Mr B is now struggling to keep up with his repayments and I would remind NatWest of its obligation to treat Mr B positively in financial difficulties.

My final decision

For the reasons given above, I do not uphold Mr B's complaint or make any award against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 June 2024.

Oyetola Oduola
Ombudsman