

The complaint

Ms H complains that National Westminster Bank Plc ('NatWest') irresponsibly gave her two loans that she couldn't afford to repay.

What happened

In March 2022, Ms H applied for a loan with NatWest. She was given a loan of £7,450 repayable over 39 months with a monthly payment of £293.84.

In December 2022, Ms H applied for a further loan with NatWest. She was given a loan of £4,000 repayable over 60 months with a monthly payment of £117.14.

Ms H got into difficulty with repaying both accounts and they were both passed to NatWest's collections department.

Ms H has complained to NatWest to say that they shouldn't have agreed to the loans because they were both unaffordable.

Our investigator didn't recommend that the complaint be upheld.

As Ms H didn't agree her 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 confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

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.

Ms H's complaint is that NatWest made loan funds available to her that were unaffordable. NatWest has explained that it relied in part on information Ms H provided at the time of each application to assess affordability as well as carrying out its own checks. Miss H has said she was earning around £1,600 each month which came from employment income plus state benefits.

NatWest also said that they carried out a credit search in Ms H's name to assess her level of debt at the time of applying for each loan. This was to help NatWest understand how she had been managing other debt she might have been paying off. NatWest also asked Ms H

for some further information. I've seen for both loans Ms H told NatWest that her partner was responsible for paying the rent. Based on the information it received and using their own scoring metric, NatWest decided to agree to each loan.

Ms H sent us her credit report. I can see from this that Ms H had a number of credit cards and loans already in place when she applied for each of the two loans. Her payment record was good and there was no recent evidence of adverse markings caused by missed payments, account defaults or county court judgments.

I'm therefore satisfied that there was a reasonable assessment of affordability carried out by NatWest at the time of each loan being granted. And so I conclude that the checks for each loan were likely to have been proportionate. The checks showed it was likely that Ms H would be able to repay them without being at risk of getting into financial difficulty. In other words, I think Ms H ought to have been able to repay each loan sustainably.

Nevertheless, I've reviewed the bank statements Ms H provided to our investigator to gain an indication of what Ms H's financial circumstances were likely to have been at the time she applied for each loan. I can see that the income from her work as well as her state benefit income is shown coming in. I've also noted regular transfers she made to herself from another NatWest account as well as ad hoc payments from another individual who I presume to be her partner, although there also payments going back to them. I can't speculate on the purpose of these payments. In any event I have focused on Ms H's regular income in assessing whether she would be able to afford each loan repayment. I've also noted that Ms H was able to fund a significant amount of discretionary spending, which tends to suggest that she would have funds available to use to repay the loans.

I've also thought about the relevance of Ms H's use of her authorised overdraft facility. Overdraft use is often a potential indicator of concern, but its use depends very much on specific circumstances and is not an automatic reason for declining credit. But from what I can see, Ms H's use of the facility doesn't suggest that her overall financial situation might be deteriorating.

So even if NatWest had chosen to seek clarification of Ms H's income and expenditure by checking her bank account transactions, I don't think it's likely they would have seen enough to demonstrate that granting each of these loans would be unreasonable, taking into account the repayment term and amount.

Ms H also says that her partner's use of gambling sites was a factor in her taking out the second loan. This wasn't something that NatWest could have been aware of. Ms H has suggested that her application for the second loan ought to have prompted NatWest to carry out more searching checks. But even if it had asked Ms H to provide further details about her financial circumstances, I can't see that it would have been aware of how the loan funds would be used - unless Ms H were to tell them, which would be unlikely.

So, having considered all the submissions made in this complaint, I'm not persuaded that based on the information provided and its checks, that NatWest ought to have been prompted to act differently than it did. That means, having considered all the evidence and information I've seen in this complaint, I haven't seen enough to think that the decision to lend to Ms H on these two occasions was unfairly made.

I know that Ms H will be disappointed with my decision, not least given that she has invested time and energy in pursuing her complaint. I have also taken on board what she has told us in response to our investigator's finding and I am sorry to hear of her current difficult situation. But the position remains that I have not found sufficient evidence to uphold this complaint.

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 Ms H to accept or reject my decision before 19 June 2024.

Michael Goldberg

Ombudsman