

The complaint

Mr A complains that a number of credit cards and loans given to him by National Westminster Bank Plc (NatWest) were unaffordable for him. He argues therefore that they should not have been given to him.

What happened

Mr A was granted two credit cards by NatWest:

Date	Limit	Detail
4 November 2017	£1,800	Increased to £2,150 on 2 December 2017
18 November 2017	£1,100	No limit increases

Mr A was also given the following loans:

Date	Loan amount	Term	Monthly repayment
20 November 2017	£2,000	24 months	£104.82
30 July 2018*	£2,250	24 months	£121.73
22 October 2018	£2,000	24 months	£104.80
13 May 2019	£2,000	54 months	£55.38
19 October 2019	£7,000	54 months	£180.91
4 November 2021	£3,000	24 months	£118.75

**The loan statement shows these funds were advanced on 1 August 2018*

Although not the subject of this complaint, Mr A also had an existing overdraft with NatWest. This was initially granted in 2003 with a £1,400 limit and increased to £4,000 in early October 2017.

Mr A applied for a £1,500 loan on 28 November 2017 which was cancelled. He also made two further attempts to increase his credit card limits (one on each credit card account) on 9 December 2017. Both were unsuccessful.

Mr A argues he shouldn't have been given any of the loans or credit cards due to his compulsive spending. Mr A also had his current account with NatWest and argues that had it completed proportionate checks, it would've seen the volume of gambling transactions on this account, and it wouldn't have lent to him.

NatWest considered his complaint but concluded that it had completed proportionate checks before agreeing to lend. And based on the results of those checks it was reasonable to lend. Our investigator considered the complaint. They didn't agree that NatWest had completed proportionate checks on all sales, however they didn't think that proportionate checks would have resulted in a different outcome i.e. that it was still reasonable to lend. So they didn't uphold Mr A's complaint. Mr A didn't agree and so the complaint has been passed to me to consider.

I issued a provisional decision setting out my initial thoughts on this complaint. In my provisional decision I said:

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 of this nature on our website. I have kept this approach in mind when considering this complaint.

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 A could repay the borrowing 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 A's income and expenditure etc.

Generally, we think that earlier in a lending relationship it would be reasonable for a lender's checks to be less extensive. However, we might expect a lender to do more, for example, if a borrower's income was low or the amount lent was high. In addition, the longer the relationship goes on, the greater the risk for harm through sequential lending.

November and December 2017 applications

Turning firstly to the credit card applications, NatWest has said it completed credit searches showing no adverse information. Having looked at the results I agree there is no adverse information and indeed little existing credit commitments recorded on the results. It recorded £100 in unsecured debt on both applications. In addition, NatWest took details of Mr A's net income which he recorded as £1,500 per month and that he was living with parents and had no dependants. It verified his income by looking at his current account credits (which was £1,653 for the first application and £1,748 for the second) suggesting the income was a broadly accurate figure. NatWest then estimated a figure for regular expenditure using Office of National Statistics ("ONS") data of around £550. This suggested Mr A had substantial disposable income to make his credit card repayments.

I think NatWest did complete proportionate checks before agreeing to lend the first credit card and I think the checks revealed that Mr A could've afforded this credit facility. I appreciate Mr A's actual financial position was somewhat different to this, but I have to consider what steps I think it was proportionate for NatWest to take at each stage. This was Mr A's second application (following the increase on his overdraft). I appreciate this application was only a short period of time after the overdraft increase, however Mr A appears to have little other regular outgoings and is living with parents. And, as explained above, his credit file also didn't uncover any adverse information. So I don't think NatWest was wrong to agree this credit card based on these checks and the information they revealed.

Turning to the second credit card, this was now the third application for credit within a very short period of time. As explained above, in the beginning of October 2017 (around a month and a half earlier) Mr A had been given an increase on his agreed overdraft by NatWest from £1,400 to £4,000. Looking at the balance of this account I can see that by the end of October 2017, prior to his wages coming in, it had increased to almost the full overdraft limit. After his wages were received, he was still around £2,500 overdrawn. So, Mr A had spent around £2,600 in a very short period of time and was still substantially overdrawn after being paid at the end of October. Turning to his first credit card which had been in place for about two weeks at the time of the second application, I can see from his statement there were multiple transactions and this card was being heavily used. Whilst I accept not all payments may have fully cleared (had NatWest checked when agreeing the credit card in question) but I think a number of the would have done. And NatWest would've been able to see he was starting to run up a high balance on a credit card which was only agreed two weeks earlier.

I accept that the balances on his current account and credit card don't appear to have been recorded on his credit file results by the time of the second application. This is likely due to the short period of time between applications. However, all accounts were held with NatWest and so NatWest had this information readily available when making its lending decision. And I

think it gave NatWest reason to question the information it had gathered, particularly when considering Mr A's declared income of £1,500 and suggested limited outgoings. So I think NatWest should have taken additional steps to find out more about Mr A's actual financial position before agreeing the second credit card, particularly when considering the sustainability of Mr A taking on additional credit. Therefore, I don't think the checks it did complete before agreeing this credit card were proportionate.

Given Mr A's overdraft expenditure had occurred before the first credit card application, I have considered if this should make a difference to my findings in relation to the first credit card application. Whilst I think it's a factor NatWest should have considered when assessing Mr A's overall indebtedness, I don't think it does. I think it's the combination of activity on Mr A's current account and first credit card, together with the amount of credit applications in such a short time (by the time of the second credit card application) which tips the balance and makes it proportionate for NatWest to take additional steps.

I'll now consider what proportionate checks would've most likely revealed when agreeing the second credit card. I think that given the spending on Mr A's current account and initial credit card should've been a cause for concern for NatWest it seems plausible that it should've taken a closer look at the account activity before agreeing further credit. Turning firstly to Mr A's current account I can see a small amount of obvious gambling totalling around £500 (which was almost a third of Mr A's declared income). However, I can also see that after the overdraft is increased on 6 October 2017 until the end of that month, there are also around 40 individual payments to a third-party payment processor totalling over £3,200. This is against an employee income of just under £1,600 coming into the account at the end of this month. So the total of these payments were over double his monthly employee income. Mr A has said these payments were for gambling due to a compulsive gambling addiction. Turning to the credit card transactions for the first credit card (in the period before the second credit card is agreed) I can also see several payments to a gambling company totalling over £500 and several cash withdrawals.

I think it's clear from these two accounts, and that Mr A was now coming back a third time in a very short period of time for more credit, that Mr A was living substantially outside his means and did not have capacity to take on additional credit at this time. I accept that given the majority of the payments when out to a third-party payment processor, it may not have been immediately evident what Mr A was spending large volumes of credit on. However, I would have expected NatWest to have queried this with Mr A. And given the volume of transactions and the total amounts being spent, I can't see what plausible account Mr A could've given to allow NatWest to conclude it was reasonable to lend. Particularly when there were some clear gambling transactions already on both accounts. So I don't think NatWest should have agreed the second credit card.

For largely the same reasons I also don't think NatWest should have agreed the first loan which was taken out around a day after the second credit card application or the credit limit increase which was around two weeks later. I think if NatWest had completed proportionate checks before agreeing the second credit card, it would not have agreed further borrowing within such a short period of time given Mr A's wider financial circumstances. So I am upholding Mr A's complaint in relation to the second November 2017 credit card, the November 2017 loan and the December 2017 limit increase on the first credit card.

July 2018 loan

Prior to agreeing this loan NatWest has said it completed a credit search, assessed his income, considered the information provided by the consumer and considered his available current account history and available application history. In addition, it estimated his regular expenditure using ONS data and information from his credit file. It has recorded Mr A's net income as £1,600 per month. From this it deducted £589 for living costs, £104 for his existing NatWest loan and £54 per month for his credit card repayments. It estimated Mr A had around £850 outstanding to make his repayments and for additional expenditure.

NatWest has made reference to considering Mr A's other accounts with NatWest and having checked, I can see that Mr A was also almost consistently overdrawn on his current account in the time between the previous lending in December 2017 up until this loan. I can't see NatWest took steps to consider this within his expenditure assessment or explore his actual monthly expenditure before agreeing the loan. Given this information was readily available, (and NatWest has said it considered some information about his current account) I think it would've been reasonable for NatWest to consider this. So on balance I don't think NatWest completed proportionate checks before agreeing this loan.

However, I think if NatWest had completed proportionate checks, it would still have been reasonable to lend. This is a finely balanced decision and I have considered what impact Mr A's overdraft usage levels should have on NatWest's decision to lend at this time. However, I'm also mindful that Mr A was returning after a gap in lending and his credit file doesn't suggest he was taking out large volumes of credit with other providers in the intervening period. So this doesn't suggest Mr A's financial circumstances had worsened in the intervening months or that he had an increasing reliance on further credit. In terms of his regular outgoings, Mr A declared he had no payments for rent or bills and had previously confirmed he was living with his parents. Whilst Mr A has said he was contributing he hasn't provided details of this, and his statements don't suggest he was making regular payments.

From reviewing his current account statements, I can see there are some payments to a third-party online payment processor. However, I can't see the regular, frequent, and consistent payments there were previously and which I think should've caused NatWest concern in 2017.

On balance, I think it was reasonable for NatWest to agree this loan, particularly given the size and term of it, so I'm not upholding Mr A's complaint about this loan. I don't think it would be fair or reasonable to say that based on the late 2017 applications and concerns I have with them that NatWest should've not lent to Mr A around eight months later. Particularly when I can't see the same volume of payments and consistency of payments which I think NatWest should have questioned in the previous applications. This is consistent with Mr A's testimony that there were periods, with professional support, where he was able to stop gambling.

October 2018 Loan

NatWest has said it completed largely similar checks to the ones completed previously. This includes completing a credit search, asking for details of Mr A's regular income and estimating his regular expenditure using information from the credit search and ONS data to estimate his regular outgoings. From this NatWest recorded that his monthly income was £1,600 and concluded his living costs were £589. In addition, it said that he was spending £255 on existing NatWest loan repayments, £75 per month on his existing NatWest credit cards and that the credit card search results didn't show any adverse information.

For similar reasons to the July 2018 loan, I don't think the checks NatWest completed in this instance were proportionate. This was now Mr A's third loan in just under a year and the two previous loans were still outstanding when this loan was agreed. I think NatWest should've taken more steps to explore Mr A's actual expenditure and income, particularly as Mr A's current account was with NatWest and NatWest has commented that it reviewed some current account information before agreeing to lend.

On balance, I think that Mr A's circumstances had now compounded to the point where I don't think it was reasonable to lend. I think that by this time of this application, if NatWest completed proportionate checks, it would've seen that Mr A wouldn't have been able to sustainably afford to repay the loan and that he didn't have capacity to take on further borrowing. As I've explained above this is a finely balanced decision, but I think there becomes a point where the total volume of lending and how he was managing his regular spending should have suggested to NatWest that it was no longer reasonable to lend.

In the space of approximately a year prior to this loan NatWest had agreed the following against a recorded monthly income of between £1,500 - £1,600:

- Overdraft limit increase from £1,500 to £4,000
- A credit card with a limit of £1,800 and subsequent limit increase to £2,150
- A second credit card with a limit of £1,100
- Two loans (£2,000 and £2,250) which both had balances outstanding at the time of this loan

Mr A had also been almost consistently overdrawn with high balances for the year since his limit increase. And frequently his monthly income would be credited into the account, and he would remain overdrawn. Turning to his current account transactions, I can see Mr A had also begun repaying another loan with a different provider in the intervening months. It's not clear if this appeared on his credit file search results, but it does feature on his bank statements. So if NatWest had checked, it's likely it would've seen Mr A had also taken on additional borrowing from another provider. Finally, I can see that once Mr A received the July 2018 loan, around a week later slightly over the full loan amount was transferred out to the same third-party payment processor. For the avoidance of doubt, I should explain that there aren't the same regular, frequent and consistent payments I think NatWest should have had concerns about previously. But in the context of the lending and credit he'd already had from NatWest in the past year, it seems reasonable that NatWest would've wanted to explore what the previous loan was actually used for when considering if further borrowing was sustainable for Mr A.

So for the reasons explained above, I don't think NatWest should have agreed the October 2018 loan.

May 2019, October 2019 and November 2021 loans

NatWest completed the same types of checks as it did for the earlier loans and so I won't repeat these again. In terms of what the checks revealed, Mr A declared an income of £1,650 for the first two loans and £1,900 for the final loan. It estimated his monthly disposable income as being between £550 and £600 for the May 2019 and November 2021 loans. NatWest also completed credit searches showing no overly adverse information (such as defaults, missed payments or CCJs), for the May 2019 and November 2021 loans.

NatWest can't provide details beyond Mr A's income declaration for the checks it completed on the October 2019 loan. However, given the information provided for the loans prior and post this time, it seems reasonable that it would've estimated broadly similar expenditure and that there was no overly adverse information on the October 2019 credit check results.

For similar reasons to the earlier loans, I don't think these checks were proportionate. I think that by this time it was well past the point that NatWest could have reasonably relied on income declarations and estimated expenditure before agreeing to lend, particularly given the lending history with NatWest. In addition, two of the three loans were the largest loans provided and two of the loans had much longer repayment terms of 54 months. So I think NatWest needed to do more to verify Mr A's actual position before agreeing these loans.

From the October 2018 loan to both the May and October 2019 loans there continues to be sustained and consistent overdraft use. With this in mind, NatWest should've been considering how sustainable it was to keep lending to Mr A and why he continued to need additional borrowing. Particularly as there were still a number of NatWest loans with outstanding balances at the time each of these loans were agreed. In addition, at the time of the May 2019 loan Mr A had a credit card with a balance of £1,800 with NatWest. And at the time of the October 2019 loan he had taken on additional borrowing with another lender. This is against an income of around £1,600. So taking everything into consideration I think it should've been clear to NatWest that Mr A couldn't have sustainably repaid these loans and I don't think it should have agreed the May or October 2019 loans.

At the time NatWest agreed the November 2021 loan Mr A still had two loans outstanding with NatWest and one with another provider. In addition, Mr A had £2,000 outstanding on one of his NatWest credit cards. Looking at Mr A's current account statements in 2021 prior to this

loan being agreed, Mr A remained heavily reliant on his overdraft throughout. In a number of months in early to mid-2021 I can also see large volumes of obvious gambling transactions which in some examples totalled in excess of his monthly net income. And in August 2021 I can see he was still gambling and in this month it totalled around £1,500 against an income of around £1,900. I accept this reduces significantly in September and October. However, on balance I think if NatWest had explored his circumstances more fully, it would have concluded that it was no longer responsible to lend to Mr A. He wasn't managing his finances in a way which suggested he had capacity to sustainably repay additional borrowing. And I think NatWest should've been aware of what Mr A describes as a gambling addiction. So I don't think NatWest should have agreed the November 2021 loan.

First NatWest credit card (taken 5 November 2017)

Mr A has argued that NatWest should've stepped in to help him during the life of credit card account, but failed to offer any meaningful support to reduce his balance and help him better manage his finances. So I've gone on to consider this with regards to the initial limit of £1,800 and his balances up to that point (as I've explained above why I don't think the subsequent limit increase on this account should have been given).

I've considered how Mr A managed this account generally and I see that whilst he exceeded his agreed limit on a few occasions, he wasn't regularly or consistently exceeding his agreed limit, or doing this over an extended period. He also wasn't failing to make the minimum repayments. These would have been general indicators to NatWest that it needed to step in and offer forbearance.

In addition, in March 2018 the regulator (the Financial Conduct Authority – "FCA") implemented rules relating to persistent debt on credit cards. Firms were given up to six months to implement these rules. The FCA defined persistent debt as where a customer, over a period of 18 months, pays more in interest, fees and charges than they have repaid of the principal balance on their credit card. At this point credit card providers are required to write to customers. Should they remain in persistent debt after 27 months, credit card providers should write to them again notifying the card holder that they are in persistent debt and encouraging them to pay more. By 36 months if the customer is still in persistent debt and hasn't taken sufficient steps, the credit card provider is required to help them repay the balance more quickly, in a way that doesn't adversely affect their financial position. This could be achieved by offering a repayment plan.

I asked NatWest for details of what it has done to support Mr A in this regard and specifically how it complied with the FCA rules on persistent debt. NatWest has provided copies of letters it sent to Mr A. In May 2022 it wrote to Mr A explaining that in the last 12 months he had been making "*minimum or small repayment to your credit card account in comparison to your overall balance.*" It detailed why this was problematic and explained how making increased repayments could benefit him. In November 2022, at 18 months, it wrote to Mr A setting this out again. In August 2023 it again wrote to Mr A explaining he was paying more in interest, fees and charges than he has repaid from the amount borrowed. This letter warned Mr A that if this continued over the next 9 months it could result in further account use being suspended. In addition, it signposted Mr A to various debt advice charities.

Taking the above into consideration, I'm satisfied NatWest did take sufficient steps (up until the point Mr A raised his complaint), to encourage and support Mr A in reducing his credit card balance on this account. So I'm not upholding this aspect of his complaint. If Mr A is unhappy with how NatWest has treated him in relation to this account after he complained, he will need to raise this as a new complaint.

I asked both parties to provide anything further they wanted me to consider before I reached a final decision. In response, both parties confirmed they agreed with my provisional 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.

As both parties have agreed with my provisional decision, I see no reason to depart from the conclusions I reached. So it follows for the reasons set out in my provisional decision (which forms part of this decision) I uphold this complaint in part.

To summarise, in relation to the accounts I have upheld, I don't think NatWest completed proportionate checks before agreeing to lend. And I think that had NatWest completed proportionate checks, it would have seen that Mr A could not have afforded to sustainably repay the lending. Full reasoning is set out in my provisional decision detailed above.

Putting things right

To summarise I've upheld the following:

Loans:

- November 2017 - £2,000
- October 2018 – £2,000
- May 2019 - £2,000
- October 2019 – £7,000
- November 2021 - £3,000

Credit cards:

- Second November 2017 credit card with a limit of £1,100
- Limit increase on the first credit card from £1,800 to £2,150 in December 2017

To put things right in relation to the loans I've upheld, NatWest should:

- Remove all interest, fees and charges applied to Mr A's upheld loans from the outset.
- The payments Mr A has made should then be deducted from the new starting balances. If the payments Mr A has made total more than the amount he was originally lent, then any surplus should be treated as overpayments and refunded to him.
- Add 8% simple interest* calculated on any overpayments made, from the date they were paid by Mr A to the date the complaint is settled.
- Remove any adverse information recorded on Mr A's credit file as a result of these loans.

To put things right in relation to the second November 2017 credit card with a limit of £1,100 NatWest should:

- Rework Mr A's current credit card balance to ensure that all interest, fees and charges added from the outset are removed.

AND

- If an outstanding balance remains on Mr A's account once these adjustments have been made NatWest should contact Mr A, if it hasn't already, to arrange a suitable repayment plan. Mr A is encouraged to get in contact with and cooperate with NatWest to reach a suitable agreement for this.

OR

- If the effect of removing all interest, fees and charges results in there no longer being

an outstanding balance, then any extra should be treated as overpayments and returned to Mr A along with 8% simple interest* on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then NatWest should remove any and all adverse information it has recorded from Mr A's credit file.

To put things right in relation to the limit increase on the second November 2017 credit card in December 2017 (from £1,800 to £2,150)

- Rework Mr A's account to ensure that from the limit increase in December 2017 interest is only charged on the first £1,800 outstanding - to reflect the fact that the credit limit increase should not have been provided. All late payment and over limit fees should also be removed.
- If an outstanding balance remains on Mr A's account once all adjustments have been made, NatWest should contact Mr A to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr A's credit file, it should backdate this to when it shouldn't have provided the additional credit in question in the first place.
- If the effect of all adjustments results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr A along with 8% simple interest* on the overpayments from the date they were made until the date of settlement. If no outstanding balance remains on Mr A's account after all adjustments have been made, then NatWest should remove any adverse information it has recorded from Mr A's credit file.

*HM Revenue & Customs requires NatWest to deduct tax from this interest. NatWest should give Mr A a certificate showing how much tax it's deducted, if he asks for one.

I would also remind NatWest of its ongoing responsibility to provide forbearance if appropriate on the credit card account limit I haven't upheld.

My final decision

For the reasons explained above, I uphold this complaint in part and require National Westminster Bank Plc to put things right in the way I've explained above.

Claire Lisle
Ombudsman