

The complaint

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

What happened

In late June 2014 Mr G says that he approached NatWest as he needed some help with his overdraft. After discussions with NatWest, he took out a loan and a credit card with it.

In 2019, Mr G complained to NatWest and said it shouldn’t have given him this loan. He said that he only wanted the interest on his overdraft frozen and felt forced into taking out the loan. He was concerned that NatWest had recorded that the loan was for a car, when he didn’t need or want a car at that time. Mr G felt that the loan actually worsened his financial position and he says he started to gamble as his debts increased.

NatWest responded to say that it didn’t think it had acted wrongly when it provided the loan. It said that the application for the loan went through all of its usual checks for affordability and satisfied its criteria for lending. It explained that Mr G would have given the information about the loan purpose and that he didn’t make it aware that this was a mistake at the time.

Mr G referred his complaint to this service, where our investigator said that NatWest had acted fairly in giving him the loan too. He felt that NatWest had performed proportionate checks into the affordability of the loan and that on that basis, it was fair to give Mr G the loan.

Mr G disagreed and so the case has been passed to me to decide.

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’ll start just by briefly addressing the fact that Mr G has asked us to look into a credit card NatWest provided him too. Our investigator has explained that as this wasn’t covered as a part of this complaint when it was raised with NatWest – so NatWest has asked to be able to first consider this before this service looks into the matter. So my decision here will focus on the complaint about the loan.

Generally, it is a matter for a business to decide who it lends to and, if it does lend to someone, how much and on what terms. But a business should perform proportionate checks into the affordability of any lending it is providing. Those checks will depend on a number of factors, there are no ‘set’ tests a business has to follow. So I’ve looked at what NatWest did here in terms of checking whether this loan was affordable.

I’ve seen that NatWest performed a number of checks here. It took account of Mr G’s income and expenditure and then performed its usual internal checks and followed its processes to ensure the application met its internal criteria. Based on the information I’ve

seen, this showed that the loan was affordable. It also looked at his credit file and considering all of the information it had, decided to lend. This seems reasonable and proportionate in the circumstances here.

Mr G says that he didn't complete any such document giving details of his income and expenditure, but NatWest's records would suggest that it took account of this. NatWest's checks seem to have also taken into account the conduct of his current account which he held with it and decided, based on this that the loan was affordable. Having seen the statements for this account, that doesn't seem like an unreasonable conclusion to have made.

In any event, I note that Mr G didn't raise any concerns with NatWest about this at the time as I'd expect someone to if there were clear mistakes made in an application. Instead it took Mr G several years to do that. I realise that Mr G has been in financial difficulties and may have only recently thought about this, but overall here, I'm satisfied that NatWest did take into account his income and expenditure at the time, in what looks like a reasonable way.

Mr G says that he also provided details of the rent he was paying at the time. But there's no evidence that NatWest was told about this during the application. And NatWest has said there was no clear evidence of rental payments on his credit file either. So without being told about this, or knowing about the payments in any other way – such as from his account statements, I can't see how NatWest could've been aware of this.

I've taken on board Mr G's comments that the adviser in the branch put the purpose of the loan down as for a car. I asked NatWest about this and it explained that its records show that the purpose was for a used car. That seems strange, if the loan was intended to be used by Mr G to consolidate his overdraft.

The loan was provided so long ago, it's difficult to get any other evidence other than NatWest's historic records here. Those show that the loan was credited to Mr G's current account and did repay his overdraft. It may be that the loan was intended to be used to buy a car, or not. But ultimately, it wasn't used for that purpose here from what I've seen. That's not a reason, by itself, to say that NatWest shouldn't have lent. I say that as ultimately, the loan was used in line with how Mr G wanted to use it – to reduce his existing borrowing, which the statements show it did.

It's clear from the statements that Mr G fell back into his overdraft fairly quickly after the loan was approved, but that seems to have been as a result of a number of transactions and payments he made. Most of these are categorised as 'point of sale' transactions, without any more information than that – so they appear to be normal transactions and payments. I don't think this would've been foreseeable for NatWest at the point he applied for the loan.

Mr G has mentioned gambling as a reason that NatWest shouldn't have lent too. But there's no obvious signs of significant gambling transactions before the loan was approved and any gambling transactions only show after the loan was approved. Again, I don't see how that could've been foreseeable for NatWest.

As Mr G didn't make payments to his loan in line with the terms, it was closed and transferred to a debt recovery agent, where it's been for a number of years. While that will have an impact on Mr G's credit file, this has meant that he's been able to make reduced repayments to the debt in a way that's suitable for him – without the balance increasing any further. That is a positive approach to have taken here to help with his difficulties.

So overall here, I'm satisfied that NatWest did act responsibly when it provided Mr G with this loan. It performed proportionate checks into the affordability of it and acted positively

when Mr G couldn't make his payments. It follows that there's nothing more I can ask NatWest to do here.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 24 January 2021.

James Staples
Ombudsman