

The complaint

Mr O complains that TSB Bank plc (TSB) lent to him irresponsibly.

What happened

From March 2017 to 2018, Mr O applied for a series of overdrafts through the mobile app. By February 2018, his limit was £2590. In 2019, TSB agreed a payment plan with him.

The limits were:

Date	Limit
April 2017	£100
April 2017	£250
September 2017	£600
October 2017	£750
November 2017	£1050
November 2017	£1080
December 2017	£1700
December 2017	£1900
December 2017	£1950
December 2017	£1980
December 2017 (from FRL)	£2000
February 2018	£2590

Mr O complained that TSB couldn't have completed the necessary checks as he couldn't afford to borrow the money.

TSB said they couldn't show what checks were made prior to April 2018 because of their IT changes completed then. But they would've checked to see that he could've afforded to repay the overdraft. They considered that when he applied for the overdraft, Mr O should have considered whether it was right for him. He could've completed an online affordability guide for himself. It was his choice to apply for the overdraft - and ensure he could afford it.

They agreed a payment plan of £90 per month in October 2019. His income and expenditure then showed a surplus of £385. Some overdraft charges for March, April and June 2019 were refunded and in October 2019, they'd stopped any further charges.

Mr O brought his complaint to this service. Our investigator said she believed TSB hadn't acted responsibly. TSB did decline some applications in April 2018. She noted that TSB agreed a pre-determined limit for customers – based on their credit checks. She could see that up to November 2017, TSB completed reasonable and proportionate checks – as Mr O kept to the limits, and the turnover of his account looked OK in comparison with the limits. But by November 2017, given the frequency of requested increases, more checks should've been done. By then, the limit was just over £1000 - and his income was about the same as that. If TSB had done credit checks at that time, they would've seen that Mr O had two other credit cards with borrowing at their limits. There was also frequent use of payday loans on his TSB statements. She accepted that Mr O had accepted the terms and conditions of the overdrafts when applying for the increases. She thought that TSB should refund any interest and charges paid since the last increase in November 2017. And remove any adverse credit information on Mr O's credit file in relation to the payment plan or his overdraft.

TSB disagreed and asked that Mr O's complaint be looked at by an ombudsman.

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.

Mr O says that TSB shouldn't have lent him more money - they should've said no to some of the increases. This would have given him a wake-up call to get his spending under control. He thought that the process of applying for the increases through the mobile app was too easy and got him into more debt.

I've thought about what both parties to Mr O's complaint have said. And I think that TSB could've done more to ensure they lent to Mr O responsibly – I will explain why.

All lenders have an obligation to lend money responsibly. We must check whether TSB acted in line within the Financial Conduct's (FCA) rules on creditworthiness assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way.
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision made bearing in mind the information gathered and what the lender knew about the borrower's circumstances?

In Mr O's case. TSB told us that they pre-approved limits up to £3000 for customers – they did risk analysis and looked at external credit data to do this. And for Mr O, they were happy that he passed those checks. So, when he asked for increases, their processes approved the limits. So – TSB say they lent responsibly. I can appreciate how TSB approved lending in this way, but that doesn't mean that they shouldn't have looked at Mr O' requests for increases more closely. Unfortunately, TSB can't show us the checks prior to April 2018 because of their IT changes done at that time.

I've looked at Mr O's statements and credit file. In 2017, they show there were two other credit cards with borrowing at their limits. And - a frequent use of payday lending. There are also some small payment to betting companies. It does look as if Mr O was receiving benefits into the account – of around £1300 per month – so he was unemployed. He told us he became unemployed early in 2017.

All of this indicates that TSB should've done some further checks – certainly when the requests for increases became more frequent, and the limit was at or more than Mr O's monthly income – which would've been in November 2017 or December 2017. These might have included an income and expenditure analysis and checks on Mr O's borrowing from other lenders.

I can see that TSB were sympathetic when Mr O contacted them later – in 2019 – to say he was in financial difficulty. Then, they agreed a payment plan and refunded some interest and charges. But – they've put the payment plan on Mr O's credit file.

So – my decision is that TSB should've completed further credit checks from November 2017. And so – they should refund all interest and charges from 1 December 2017 to date (to the extent they've not already been refunded). And they should remove any adverse data from Mr O's credit file from that date also - including the payment plan arrangement.

I understand that Mr O's payment plan is coming to an end very soon – so it would be sensible for him and TSB to agree a mutually acceptable plan from here on to ensure Mr O's debt is repaid satisfactorily.

Putting things right

TSB Bank plc should:

- Refund all interest and charges on Mr O's overdraft from 1 December 2017 to the date of this decision (where not already refunded).
- Remove any adverse entries on Mr O's credit file in relation to his overdraft and payment plan.

My final decision

I uphold this complaint. TSB Bank plc must:

- Refund all interest and charges on Mr O's overdraft from 1 December 2017 to the date of this decision (where not already refunded).
- Remove any adverse entries on Mr O's credit file in relation to his overdraft and payment plan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 May 2021.

Martin Lord
Ombudsman