



The complaint

Miss B has complained that National Westminster Bank Plc lent to her irresponsibly. She says they should have looked at her financial circumstances in more detail before agreeing to the loans as she could not afford them.

What happened

Ms B applied for a loan of £6500 online from Nat West on 18 April 2016. The loan was approved. Miss B applied for another loan of £5000 on 21 April 2016 which was initially approved and then withdrawn. Nat West have told us that it was withdrawn because their policy is that multiple loans cannot be granted within 28 days.

Ms B applied for a further loan of £12000 on 22 April 2016 which was approved. Ms B paid £5000 of the £6500 loan with some of the £12000, which left her with two loans, one for £1500 and one for £12000.

In May 2016 Miss B made a complaint to Nat West at the time about the approval and then withdrawal of the £5000 loan. As a result of Miss B complaining, Nat West explained that they should never have granted the £5000 loan due to their policy of not granting multiple loans in a 28 days period, and they agreed to rebuild the remaining £1500 as an interest free loan, payable over 30 months. This loan was repaid in November 2018. Miss B continued to make regular payments on both of the loans.

In August 2017 Miss B contacted Nat West as she was unable to make a repayment on her £12000 loan due to financial difficulties. Nat West offered Miss B the option to increase her current account overdraft to meet the month's repayment, and she would then need to repay the overdraft at £30 per month over 11 months. This is what Miss B did. There were no overdraft charges for this, but the debit balance did accrue interest.

In January 2020 Miss B borrowed money from her parents to repay the remaining £12000 loan in full. Miss B has told us that she has felt stressed and anxious when having to contact Nat West about the loans and has made several premium rate calls to them when trying to pay the balance off.

Nat West have told us that as part of the checks they undertake before approving any lending, they look at the information provided on the application including personal details, age, income and expenditure, borrowing requirements and repayments. They also undertake a credit check through a credit reference agency to look at the customer's borrowing elsewhere. In this case the loan applications were made online, and the loan applications were agreed by the automated lending system without any referral or approval needed. Miss B passed their lending criteria.

Our investigator didn't uphold Miss B's complaint. She thought that the checks that Nat West undertook to assess creditworthiness and affordability were fair and proportionate. Miss B disagreed with our investigators' view and the case came to me to review.

I issued a provisional decision on the complaint. My provisional findings were as follows:

When the first loan application for £6500 was made on 18 April 2016 Nat West advise that a credit reference agency check was undertaken prior to the lending. They have provided me with a spreadsheet which shows the application history and includes some financial information that came from the credit check. However, this information is not the full picture that would have been available from the credit reference agency check. Miss B has sent me a copy of her credit report which shows details of all the loans and cards she had at the time of the application in 2016, which is information that would have been available to Nat West. At the time of the first loan application on 18 April 2016 Miss B had taken out a new credit card on 1 April 2016 with a balance of £1265, she was paying a further two loans that had a combined outstanding balance of £6540, and she had a number of other credit cards at her disposal, some of which had only just been cleared. In addition, the credit report shows that in the previous 12 months, Miss B had taken out 18 short term or "pay day" loans of between £50 and £500. Although they had all been repaid, this kind of frequent, short term pay day lending can indicate an underlying problem and should have indicated to Nat West that extra checks may be necessary given the size of the loan being requested.

Basic current account checks would have flagged a further concern. Miss B holds her current account with Nat West so this information was readily available to them. In the period immediately prior to the loan being granted, 23 March 2016 – 22 April 2016, a total of £14377.05 came out of Ms B's current account, and £14285 went in. This income and expenditure was almost entirely gambling related, the payments being made to and from online gambling sites, with up to 18 gambling debits in one day. Miss B had only declared an income on her application of £1329 per month from her clerical job. This again should have alerted the bank to a possible concern about affordability and sustainability.

I think Nat West have failed in their obligations to assess creditworthiness in accordance with CONC 5.2.1. I think that on balance, the information that was available should have indicated further checks were necessary, and had those checks been undertaken, Nat West should have realised that increasing this customer's indebtedness would adversely affect her financial situation, and her ability to make repayments was in question.

In respect of the second loan application on 21 April 2016 all of the same information would have been available, and in addition, the approval of the £6500 loan two days previously should have alerted Nat West to undertake additional checks. However, this loan was also granted with no further checks. As it was subsequently withdrawn there was no cost to Miss B in relation to this loan.

However, a further third loan of a substantially increased amount of £12000 was applied for and approved on 22 April 2016. I think that the fact that a customer had requested three loans totalling £24000 in the space of four days should have been something that was of concern to Nat West and should have alerted them to the customer's financial circumstances and the totality of the lending was unlikely to be sustainably affordable to Miss B. In accordance with their regulatory obligations they should have been making more detailed checks before approving the £12000 loan.

It is also of concern that although the second loan of £5000 was withdrawn almost immediately because of Nat Wests' policy of not approving more than one loan in a 28 day period, the third loan application for twice as much was approved two days later. This results in a very odd outcome, in which granting the second loan breached the bank's policy on multiple loans, but a third larger loan, applied for very shortly afterwards didn't. I do not think Nat West acted fairly and reasonably in relation to this loan.

Finally, there is the issue of the overdraft facility which was offered to help Miss B meet her loan repayment in September 2017. As I don't think Nat West acted fairly and reasonably in offering the loans to Miss B, it follows that the cost of any additional lending to facilitate the payment of the loan should not have been necessary.

I note that Miss B has asked me to consider the stress and anxiety caused by Nat West having lent her the funds and also by having to make the phone calls to pay off the debt. I accept that Miss B was experiencing anxiety and stress. However, from the circumstances surrounding this complaint, it seems that Miss B has been experiencing problems for some time and had multiple loans and cards throughout the period in question. It would be therefore be unfair to attribute all the stress and anxiety to Nat West's actions. I also note that with the exception of September 2018, Miss B did make all of the payments on the loans without any problems. I am therefore not satisfied that there should be any payment for trouble and upset.

In the light of these findings, I was satisfied that Nat West had failed in their obligations to assess Miss B's creditworthiness in accordance with CONC 5.2.1. I thought that on the information available, further checks were necessary, and had those been undertaken, Nat West would have realised that increasing Miss B's indebtedness would adversely affect her financial situation I therefore intended to uphold Miss B's complaint, and I invited the parties to comment.

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 sent Miss B and Nat West a copy of my provisional decision. Both have replied. Miss B accepts the decision and Nat West have nothing further to add, so I'm making my final decision for the reasons I've summarised above.

My final decision

I'm upholding Miss B's complaint about National Westminster Bank Plc and directing them to reimburse Miss B any charges and interest paid by her on these loans during the period 18 April 2016 until 27 January 2020. They should also reimburse any interest paid on the overdraft facility which relates to the loan payment

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 15 February 2021.

Joanne Ward
Ombudsman