

The complaint

Miss S complains that TSB Bank plc irresponsibly provided her with a loan.

What happened

Miss S says that during the first lockdown TSB called her to check her finances and she ended up with a loan she couldn't afford. She says she has used her overdraft and credit cards to make repayments putting her in worse debt than she was previously. She says if TSB hadn't called her she wouldn't be in the position she now is.

TSB says that on 11 May 2020, it contacted Miss S about a possible refinance loan. It says at the time, Miss S had an existing TSB loan, was overdrawn and had a TSB credit card. It says Miss S also advised it she had another credit card. It says it was able to offer her a loan with an APR of 16.9% which was lower than the rate she was paying on her existing debts. It says that Miss S' monthly repayments on the new loan would be lower than her monthly repayments had been even including an additional £1,100 which Miss S wished to borrow for home furnishings.

Our investigator didn't uphold this complaint. He thought the checks carried out by TSB before the loan was provided were proportionate. He reviewed the information in Miss S' credit file and bank statements from the time and didn't think these suggested Miss S was in financial difficulty. He didn't think that TSB had done anything wrong by providing the loan and considering the interest rates said the loan put Miss S in a better position.

Miss S didn't agree with our investigator's view. She said that TSB shouldn't have contacted her to offer a loan. She said that she had previously made an online application for a loan which had been rejected and that she told TSB this on the phone call however she was still provided with a loan. She said she was told the loan was the lowest interest rate TSB could offer. She struggled to make repayments and when she told TSB she was struggling it re-financed the loan on a lower interest rate which she says should have been the rate she was offered in the first place.

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 am sorry to hear of the financial difficulties Miss S has experienced and I can understand that she feels that TSB's contact in May 2020 meant she took on further borrowing she couldn't afford. However, for me to uphold this complaint, I would need to be satisfied that TSB didn't carry out reasonable and proportionate checks before lending or, that based on the information available to it at the time of lending, it was irresponsible to provide the loan.

I have looked through the information provided and can see that Miss S was contacted in May 2020 about the opportunity to refinance her debts. I appreciate the comments Miss S has made about this call, but I do not find it unreasonable that TSB made contact and had Miss S not being interested then she could have said that. I note Miss S' comments about

having been previously declined online for a TSB loan and explaining this on the call, however TSB has said that it has no record of Miss B being declined for a loan before the May 2020 loan. Unfortunately, the recording of the call isn't available and so I have relied on Miss S' testimony, the contact notes from the call and the other information available such as Miss S' bank statements and credit information.

When Miss S was contacted in May 2020, she had an existing loan with TSB, an overdraft and a credit card. She also noted a further credit card. The total amount outstanding on these was recorded as just under £6,500. She also wanted to borrow extra money for home furnishings, resulting in a total new loan amount of around £7,600. The interest rate on the new loan was lower than the interest rates she had on her existing debts but as the new loan was for a larger amount and repayable over four years, it would be reasonable to check to ensure the repayments were affordable for Miss S.

Information about Miss S' monthly income was gathered, and this was around £1,380. Miss S says on the call she has moved in with a partner and is paying £264 towards board. TSB hasn't been able to provide details from its credit check and so I have looked at the information Miss S has provided. This provides limited information from the time of the loan but does show that Miss S had been maintaining her payments on her accounts through 2019 and 2020. Based on this I do not find I have enough to say that there were signs of financial difficulty that meant further checks should have taken place. Based on this I think the checks carried out were proportionate.

However, just because proportionate checks took place it doesn't necessarily mean the lending was responsible and so I have considered the information available to TSB to see whether this raises concerns. Miss S' bank statements for the months leading up to the loan confirm her monthly income and the payment of £264 and then show limited other committed expenditure. Therefore, as I think the checks were reasonable and as these didn't raise concerns about the affordability of the loan I do not find that I can say TSB acted irresponsibly in this case.

On the call discussing the loan, Miss S said she would reduce her overdraft the following month and pay off her other credit card. The loan was used to repay the previously existing TSB loan, repay the overdraft and Miss S' credit cards. Given the new loan had a lower interest rate than her previous debts this should have put Miss S in a better position going forward.

I understand that Miss S then increased her use of her overdraft and credit cards. She has also raised concerns about the interest rate she was given. However, the loan agreement set out the details of the loan including the interest rate and had Miss S not wished to go ahead she could have said that. The loan also set out the 14 day withdrawal period so had Miss S decided after agreeing to the loan that she no longer wanted this she could have taken action at that time.

While I can understand why Miss S is upset at the situation she is in, as the loan provided in May 2020 was affordable based on the checks carried out and was initially used to repay other existing debts I do not find I can uphold this complaint. However, given Miss S has explained her situation, we would now expect TSB to treat her positively and sympathetically and to work with her regarding her outstanding balance.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept

or reject my decision before 12 April 2022.

Jane Archer
Ombudsman