

## **The complaint**

Mr D complains National Westminster Bank Plc lent to him irresponsibly.

## **What happened**

Mr D applied to NatWest for lending on a number of occasions including for a £7,500 loan in May 2019 and a £10,000 loan in March 2020. Both loans were approved.

In 2020 Mr D complained to NatWest saying that it ought not to have lent him money in May 2019 and March 2020. He said that the lending was irresponsible and caused him financial difficulties.

NatWest looked into Mr D's complaint and said that he'd applied for the loans online and it had based its decision to lend to him on the information he'd provided. NatWest said that it didn't agree the loans were unaffordable. Mr D was unhappy with NatWest's response and so complained to us.

One of our investigators looked into Mr D's complaint and, having asked for additional information about his finances and circumstances at the time, said that they thought the first loan Mr D took out was affordable but the second one wasn't. They said that Mr D hadn't been using his overdraft in the three months before he applied for the first loan nor were there any signs of financial difficulties. However, when Mr D took out the second loan – which was a consolidation loan – he'd been relying heavily on his overdraft (and was often near his limit) and had taken out several high interest loans from a number of short-term lenders. His statements showed that he was spending a significant amount of money on gambling too. Shortly after taking out the second loan, Mr D was using his overdraft again (and was near his limit) and missed a number of payments.

NatWest disagreed with our investigator saying that all the checks it had done showed both loans were affordable. NatWest said that just because a customer has taken out a short-term loan that doesn't mean that they'll default on new credit and that gambling is lawful. And that it had assessed Mr D's application based on credit scoring. NatWest asked for an ombudsman to look into Mr D's complaint saying that he'd managed to repay the loan for over a year and a half before he got into difficulties. So that's what I've done.

## **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 agree with our investigators that there were no obvious signs that Mr D was in financial difficulties or that lending to him might be irresponsible when he took out the first loan. I also agree, however, that this wasn't the case when he took out the second loan. I say this because he was relying heavily on his overdraft and had taken a number of loans out from elsewhere. I agree with our investigator that this should have prompted NatWest to do additional checks beyond the ones they did as these were signs Mr D's finances were not in a good state – such checks would have been reasonable and proportionate.

Had NatWest carried out additional checks, I'm satisfied that it would have seen that Mr D was not only relying heavily on his overdraft and taking out borrowing elsewhere but was also relying on payments from others (including his mother) to manage his outgoings. More importantly, I'm satisfied that NatWest would have come to the conclusion that further lending was unsustainable. In other words, I'm satisfied that NatWest wouldn't have gone ahead and agreed to the second loan. So it's fair that he's put back into the position he would have been – in so far as that is possible – had NatWest not done so.

In its response to us, NatWest said that Mr D didn't get into difficulties with his loan repayments for over a year and a half, but that's not actually the case. Mr D made his first repayment in March 2020 and then applied for a payment holiday – in part due to Covid – but then missed his first payment when that payment holiday ended. I can see from his statements that he relied on payments from others (including his mother) to manage his outgoings. He's told us that his mother was off work for a while because of Covid, and the impact on his finances can be seen straightaway. So I don't agree with what NatWest said in response – Mr D got into difficulties very quickly, consistent with the second loan not having been affordable in the first place.

### **Putting things right**

Our investigator recommended the following steps, namely that:

1. NatWest should refund all the interest and charges Mr D has paid to date in relation to the second loan so that a new starting balance consisting of only the amount lent is left.
2. NatWest should deduct any payments already made.
3. If, after Step 2, Mr D has already paid too much then the overpayment should be refunded, adding 8% simple interest. If there remains an outstanding capital balance, NatWest should ensure that it isn't subject to any historic or future interest and / or charges.
4. NatWest should amend Mr D's credit file to remove the second loan.

I think the steps our investigator recommended are a fair and reasonable outcome to this complaint, so those are the steps I'm going to require NatWest to take in full and final settlement of this complaint. NatWest and Mr D will have to agree an affordable repayment plan if a balance remains outstanding.

### **My final decision**

My final decision is that I require National Westminster Bank Plc to carry out the four steps outlined above in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 April 2022.

Nicolas Atkinson  
**Ombudsman**