

The complaint

Mr G complains that TSB Bank plc ("TSB") lent to him irresponsibly and didn't carry out sufficient checks when they gave him a loan and overdraft facility.

What happened

Mr G opened a current account online with TSB and applied for an overdraft of £900 in October 2015. Mr G also applied online for a loan of £5,000 with TSB and this was accepted in November 2015. Mr G's current account was defaulted and charged off to Recoveries in October 2016 with an outstanding balance of £1,231.79. And, his loan account was defaulted and charged off to Recoveries in November 2016 with an outstanding balance of £5,480.10.

Mr G says TSB shouldn't have given him a loan or overdraft facility as his credit file showed he'd missed payments to other lenders and had taken out payday loans. Mr G complained to TSB and said he was unable to repay the loan or overdraft and both accounts were defaulted less than a year after both credit facilities were provided. He also said he'd asked TSB to change his address on several occasions and sent them the relevant form together with evidence of his new address, but they still hadn't changed it.

TSB responded and explained the steps they carry out when a customer applies for a loan. They set out the checks they carry out and referred to a process they use called credit scoring to assess a customer's application and they also review their Credit Reference Agency ("CRA") file. They said Mr G signed the loan agreement electronically which set out the interest rate, terms of the loan, monthly repayment amount and the total amount repayable, which means he was happy with the terms being offered.

In relation to the overdraft on the current account, TSB said, with the passage of time, it has been difficult for them to establish exactly what happened so they could only base their review on the information they had available. And, this showed they hadn't made any error in giving Mr G an overdraft. In relation to the address change, TSB said, as Mr G opened his current account online, they don't hold a specimen signature for him. So, any address changes would need to be made at branch with Mr G providing identification. TSB didn't uphold the complaint.

Our investigator looked into things for Mr G. She thought the information didn't support Mr G's complaint. Mr G disagreed so the matter has come to me for a decision.

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.

Having done so, I've decided not to uphold the complaint. I understand Mr G will be disappointed by this but I'll explain why I have made this decision.

The loan and overdraft

We've set out our general approach to complaints about short-term lending - including all of the relevant rules, guidance and good industry practice - on our website.

TSB needed to take reasonable steps to ensure that they didn't lend irresponsibly. In practice this means that they should've carried out proportionate checks to make sure that Mr G could repay the credit in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure.

The first point I've addressed is whether I think TSB carried out reasonable and proportionate checks. Section 5 of the Consumer Credit (CONC) sourcebook, in place at the time, outline that the assessment that TSB needed to complete should've been dependent on, and proportionate to, a number of factors – including the amount and cost of the credit and the consumer's borrowing history. CONC also provides guidance on the sources of information TSB may have wanted to consider as part of making a proportionate assessment. It then gives examples of factors a firm must consider and refers to whether the information the firm has is sufficient and whether to obtain additional information from the customer and any other sources of information to use.

TSB is free to decide how to set their lending criteria but they should complete proportionate checks to ensure borrowing is sustainable. In this case, I can see our investigator has asked TSB for evidence of the application data completed by Mr G for the loan and overdraft, the results of TSB's credit checks at the point of lending and a copy of any income and expenditure calculations and/or affordability assessments. TSB say, due to the passage of time, and following their banking systems being upgraded in 2018, the information requested by our investigator is no longer available.

TSB say, when a customer applies for any lending with TSB, they take into consideration the information the customer provides, such as their income and expenditure, employment and residential status. They also look at a combination of internal credit data held on the customer, like their risk profile and internal credit score, as well as credit bureau data that provides information, for example, on adverse bureau, levels of indebtedness and bureau credit score.

TSB say, with this data they complete a creditworthiness assessment and an affordability assessment to determine the amount they're able to lend to the customer. This amount is then used to determine whether they can provide the limit requested by the customer based on the customer drawing the entire limit on day one and repaying an equivalent loan repayment over a 12-month term. They say they complete these creditworthiness and affordability assessments for both new limits and for limit increases.

TSB say, the data they review is refreshed monthly and the calculations are automated and are deployed in their credit decision systems. They say they have a variety of controls in place to monitor their creditworthiness and affordability assessments to ensure that they continue to provide fair lending outcomes.

TSB say, at the time of Mr G's application for the loan and overdraft, if there was adverse bureau data recorded on his credit file with the CRA's, this would've been picked up as part of these checks and his applications would have been declined.

TSB no longer have the information to show whether their checks were reasonable and proportionate. Looking at their explanation for the checks they would've carried out, I think these are reasonable and proportionate as they take into account a number of factors. And, the checks carried out are the type I would reasonably expect because they would help TSB

to not only build a picture of Mr G's financial situation, but also to assist in determining whether he could repay the credit in a sustainable way.

The next point I've considered is whether TSB made a fair lending decision bearing in mind the information gathered and what they knew about Mr G's circumstances. TSB say they take into account information held by the CRA's, so I've looked at Mr G's credit file to see what this would've shown.

Mr G's credit report shows accounts with other lenders around the time he applied for the loan and overdraft with TSB. This shows loans, credit card, bank accounts and communication services accounts. I can't see there's a pattern of missed payments or defaulted accounts at the time of TSB's lending decision. There are a number of accounts which are defaulted in 2016 and after, but I'm considering the information at the time of TSB's lending decisions. Taking this into account, I can't see there was any adverse information here which should've led to TSB declining Mr G's application for a loan and overdraft. I note Mr G feels TSB shouldn't have opened the two accounts for him because of his other borrowing. But, I don't think evidence of other borrowing – particularly if those accounts are managed well, is reason alone for a lender to decline an application.

Mr G says his primary bank account was with another bank and I think the TSB current account statements support this as they don't appear to show many transactions. It would've been helpful to see a copy of Mr G's bank statements for his primary account to determine what his income and expenditure looked like, and what he was likely to have noted on his application when setting out his financial circumstances. I can see our investigator has asked Mr G to provide a copy of his bank statements for his primary account but he says he hasn't been able to get these. So, I've based my decision on the information that is available.

Taking this all into account, and based on the information provided by the CRA's, I think TSB could be satisfied that this information didn't suggest any issues with Mr G's financial circumstances, and he was managing his other accounts well. I can't determine what Mr G's income and expenditure looked like at the time, so I can't say TSB should've identified that Mr G wouldn't be able to make repayments without undue difficulty and wouldn't be able to meet other commitments without having to borrow further. I can see Mr G does experience financial difficulties in 2016 which leads to a number of accounts being defaulted – including the two TSB accounts. But, I'm looking at the lending decision made by TSB in October and November. And, the information I've seen doesn't suggest TSB's decision to lend was unfair.

Change of address

TSB have provided evidence of the address they hold for Mr G – and I can see this is the address Mr G wants to be changed. TSB say, the only record they have of Mr G asking for his address to be changed is from February 2020 when they received a change of address form. They say they weren't able to action this because they don't hold a record of Mr G's signature, due to him opening his accounts online. They say they sent Mr G a text to let him know. TSB say they're unable to update Mr G's address until he's able to visit one of their branches with identification.

I understand Mr G will be frustrated that his address hasn't been changed following his request, but I can't say TSB have acted unreasonably here. They say they don't have a specimen of Mr G's signature – which is understandable given that Mr G applied for both accounts online. And, I don't think their request for Mr G to attend a branch with identification is unreasonable given that they'll need to verify Mr G's identity.

My final decision

For the reasons I have given, it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 April 2022.

Paviter Dhaddy
Ombudsman