

## The complaint

Mr L complains that National Westminster Bank Plc lent to him irresponsibly when he applied for two credit cards.

Mr L's complaint has been brought by a representative.

## What happened

Mr L was an existing customer of NatWest, and held two current accounts with them, one of which he used as his main current account.

On 23 May 2019 Mr L applied for two credit cards with NatWest. The credit cards each had a credit limit of £1,200. On the applications Mr L said he was employed and earning £24,000 a year. He said his living costs were £589 per month.

NatWest said Mr L's applications passed credit scoring and their checks for debt problems. They said they carried out an affordability assessment which showed Mr L could afford the repayments, based on typical living costs and repayments of existing debt. So they approved Mr L's applications.

Mr L used both cards up to the credit limit within the first month. He didn't make any payments to his credit card accounts and in December 2019 both the credit card accounts defaulted.

In September 2019 Mr L's representative wrote to NatWest. They explained Mr L had been experiencing a mental health episode when he'd applied for the credit cards, which led to him being admitted to hospital in June 2019. They said he didn't remember applying for the credit cards, and asked NatWest to consider writing off the money he owed because he'd lacked capacity to enter into the agreements.

NatWest replied to say, in summary, that Mr L had told them he was employed when he applied for the credit cards, and he'd passed the appropriate checks and demonstrated affordability. They explained Mr L's applications weren't checked against his current account because it wasn't their process to do so. They refunded the interest and charges they'd applied to both the credit card accounts, and referred Mr L to their specialist team to discuss repaying the outstanding balance.

Mr L's representative replied to say, in summary, that Mr L wasn't employed at the time he applied for the credit cards, and his current account showed he was receiving universal credit at the time. They explained Mr L had been very unwell at the time he applied for the credit cards, and they felt their request for the outstanding balances to be written off had not been properly considered. They brought Mr L's complaint to our service.

An investigator looked into Mr L's complaint. She thought the complaint should be upheld in part, because she didn't think NatWest had done enough to check Mr L could afford the credit card repayments. She said that NatWest should have looked at how Mr L had been operating his current account shortly before he applied for the credit cards, and if they'd

done so they would have noticed he was struggling with his finances. She asked NatWest to refund all the interest and charges, remove any adverse information from Mr L's credit file, and arrange an appropriate repayment plan with him. She didn't think the outstanding balances on Mr L's credit card accounts should be written off in full or in part, because Mr L had had the benefit of the funds he'd borrowed.

NatWest didn't reply to the investigator's view.

Mr L's representative replied to say, in summary, that Mr L would agree to repay some of the money at a reasonable rate, but due to the stress and hardship he'd experienced because of NatWest's decision to lend to him, he thought NatWest should write off all or some of the outstanding balance on the credit card accounts.

Mr L's complaint has now been passed to me for review and 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'm going to uphold the complaint. However, although I'm very sorry to disappoint Mr L, I'm not going to ask NatWest to write off the outstanding balance on the credit card accounts.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mr L's complaint.

In order to decide if NatWest treated Mr L fairly when agreeing to lend to him, I've thought about the following questions:

- Did NatWest complete reasonable and proportionate checks to satisfy themselves that Mr L would be able to repay the full amount of credit in a sustainable way?
- If so, did NatWest make a fair lending decision taking into account the information gathered and what they knew about Mr L's circumstances?
- If not, would reasonable and proportionate checks have shown it was more likely than not that Mr L wouldn't be able to repay the full amount in a sustainable way?
- Did NatWest act unfairly or unreasonably in some other way in making the decision to lend to Mr L?

There's no set list for what reasonable and proportionate checks are, but I'd expect NatWest to have considered the amount, duration and payments of the credit being applied for, as well as Mr L's personal circumstances at the time of his application, and any indications of vulnerability.

With this in mind, I've thought about whether NatWest completed reasonable and proportionate checks to satisfy themselves that Mr L would be able to repay his credit cards in a sustainable way. And overall, I don't think they did. I'll explain why.

I think there were indications here that Mr L may have difficulty repaying the borrowing he'd applied for, which should have prompted NatWest to look into his financial situation further than they did at the time they agreed to lend. This wouldn't have been difficult, because Mr L

held two current accounts with them – one of which he operated as his main current account. So there was more information readily available to NatWest about Mr L's overall financial position.

Mr L's credit card applications said he was employed and earning around £1,600 per month. Mr L's representative said he was on universal credit at the time. I can see that Mr L's universal credit income of around £230 per month was being paid into his main current account with NatWest. And it doesn't look like a regular income was being paid into his other current account. So it appears Mr L's income at the time was significantly less than he declared on his credit card applications – and this was information that NatWest could have easily checked at the time.

I can also see that between 7 May and 16 May Mr L made a number of applications to increase his overdraft limits on his current accounts. The overdraft limit on his main current account was increased to £350 on 10 May 2019, and was used nearly up to its limit by 14 May. Mr L applied to increase the overdraft limit on his other account to £500 on 7 May 2019 and to £750 on 10 May 2019.

Mr L's income was significantly less than he'd declared on his credit card applications, and the recent applications to increase his overdraft limit could have been an indication that he had started to experience difficulties managing his current accounts within the limits. I think it would have been reasonable for NatWest to have carried out further checks and if they'd done so, they would have known the information Mr L had given them about his financial circumstances didn't add up, because Mr L wasn't receiving the income he'd declared on the application forms.

Mr L said his monthly living costs were around £589. So his living costs exceeded his universal credit income by around £350 per month. I think this indicated Mr L may have difficulties paying back the lending in a sustainable way. And if NatWest had carried out further checks, I don't think they would have approved Mr L's credit card applications. So I think it's fair that they should take steps to put this right.

NatWest should also have considered if there were any indications of Mr L's vulnerability at the time he made the applications, and if so they should have carried out additional checks before agreeing to lend to him. So I've looked into whether NatWest treated Mr L fairly here.

Mr L's representative has provided medical evidence to explain Mr L's mental health condition led him to make decisions about money which were uncharacteristic. The medical evidence mentions that when Mr L was acutely unwell he may have lacked capacity around his finances. So I think it's reasonable to say Mr L was vulnerable at the time he made the credit card applications. But I haven't seen anything to show NatWest were, or should have been aware, of Mr L's vulnerability at the time he applied for the credit cards. So I don't think they should have carried out any additional checks around whether Mr L had capacity to enter into the agreements at the time he applied for the credit cards.

Mr L's representative has asked us to consider whether Mr L's debt should be written off. I've thought very carefully about this point. I do understand that Mr L was vulnerable at the time he took out the credit cards, and it was out of character for him to do so. But I don't think NatWest could have been aware of this at the time – and Mr L has had the benefit of the money he borrowed. So although I'm sympathetic to Mr L's situation here, I don't think it would be appropriate to ask NatWest to write off any of the outstanding balance on his credit card accounts.

## **Putting things right**

I understand that National Westminster Bank Plc has already re-worked Mr L's credit card balances so that all interest and charges applied to the credit card accounts from account opening have been removed. For the avoidance of doubt, it should ensure that no further interest and charges are applied to the accounts.

National Westminster Bank Plc should also do the following:

- remove any adverse information relating to Mr L's credit card accounts from his credit file; and
- work with Mr L to agree a sustainable repayment plan, bearing in mind their obligation to treat him positively and sympathetically.

## **My final decision**

My final decision is that I'm upholding Mr L's complaint, for the reasons I've explained. National Westminster Bank Plc must put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 8 March 2022.

Helen Sutcliffe  
**Ombudsman**