

## **The complaint**

Mrs D complains that National Westminster Bank Plc lent to her irresponsibly when it approved loans in 2017 and 2018. She is also unhappy that the bank hasn't done what they said they would do to put things right.

## **What happened**

The details of this complaint are well known to both parties, and were set out in my provisional decision, so I am not going to describe them again here.

### *My provisional decision*

We've set out our approach to unaffordable and irresponsible lending complaints on our website and I've considered this while provisionally deciding Mrs D's complaint.

NatWest needed to carry out proportionate checks to be able to understand whether Mrs D could afford to make the loan payments before providing these loans for her. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether NatWest did what it needed to before providing Mrs D with these loans.

### Were NatWest's checks reasonable and proportionate?

I will address each loan in turn, starting with the September 2017 loan.

Mrs D approached NatWest, her current account provider, for a personal loan for £10,000 so she could buy a car. NatWest, as set out above, had a responsibility to ensure she could

afford the loan. To decide this it asked for some details, reviewed her current account history and searched her credit file. These showed:

- Mrs D declared her income as just under £1,550. I can see from her bank statements this was correct. So, I'm satisfied it was reasonable for NatWest to rely on this figure.
- NatWest asked for details of Mrs D's expenditure and noted that she was living at home with parents with committed monthly expenditure of about £600. This is also supported by what's showing on her account statements, so I'm satisfied it was reasonable for NatWest to rely on this figure too.
- The difference between Mrs D's income and expenditure was about £900. The monthly repayments for the loan were £241. So, I'm satisfied the checks NatWest undertook showed the repayments were affordable to Mrs D, and that they wouldn't cause her undue difficulties.
- NatWest also reviewed Mrs D's account history with it and her credit file to see if there was anything else which might suggest Mrs D couldn't afford the repayments. It didn't find anything of concern – for example her credit file showed no recent missed payments on other credit, or her being over extended.

Mrs D argues she shouldn't have been lent to because NatWest was aware she had gambling issues. I haven't seen any notes at the time of the lending decisions to support that NatWest had this knowledge. I can see from Mrs D's current account statements she'd gambled in the months leading up to her initial loan application. But gambling isn't in and of itself something which should automatically mean a bank shouldn't lend. Here, Mrs D seems to have gambled using her own money, and there doesn't seem to be a pattern which could reasonably be described to indicate a problem over someone using their money for a leisure activity of their choice. For example, Mrs D made a substantial payment to a betting website, but then didn't gamble again as far as I can see until some weeks later, despite having money to do so. NatWest has said they did an automatic check on gambling in the month prior to the first loan but the amount didn't hit their threshold which would have seen the loan application reviewed. What I have seen of the statements supports this and so I don't think this was a reason why NatWest shouldn't have given this loan.

The second loan was given in May 2018. Mrs D approached NatWest for a personal loan for £15,000 so, she could consolidate her first loan and pay off a credit card. It is important to note that this loan was therefore not increasing Mrs D's indebtedness by much. However, NatWest, as set out above, had a responsibility to ensure she could afford the loan. To decide this, it asked for some details, reviewed her current account history and searched her credit file. These showed:

- Mrs D declared her income as just under £1,400. I can see from her bank statements this was correct. So, I'm satisfied it was reasonable for NatWest to rely on this figure.
- NatWest asked for details of Mrs D's expenditure and she was still recorded as living at home with not much committed monthly expenditure. This is also supported by what's showing on her account statements, so I'm satisfied it was reasonable for NatWest to rely on this.
- The difference between Mrs D's income and expenditure was about £800. The monthly repayments for the loan were £294. So, I'm satisfied the checks NatWest undertook showed

the repayments were affordable to Mrs D, and that they wouldn't cause her undue difficulties.

- NatWest also reviewed Mrs D's account history with it and her credit file to see if there was anything else which might suggest Mrs D couldn't afford the repayments. It didn't find anything of concern – for example her credit file showed no recent missed payments on other credit, or her being over extended.

I understand that by 2019/2020 Mrs D was struggling to maintain her repayments. From her current account statements, I can see by this time her income had reduced significantly. It seems more than likely than not, therefore, given my findings above on the original lending decisions, that she was struggling because of a change in circumstances rather than because the loans were unaffordable at the start.

Whilst I accept that Mrs D may now be having difficulty making her payments and I'm sorry to hear this, I'm satisfied NatWest's checks before approving these loans were proportionate. I'd also add that while I think NatWest's checks were proportionate in this instance and so it didn't need to check Mrs D's bank statements, the copies we have been provided with don't obviously contradict the information NatWest gathered, or show another obvious reason why NatWest shouldn't have lent to her either. So, in any event, I can't reasonably say that further checks would have prevented NatWest from bringing about Mrs D's loans either.

I also think that I should explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And, in this case, I don't think that NatWest did anything wrong when bringing about Mrs D's loans. The key thing here is that it carried out proportionate checks which suggested the repayments would be affordable for her.

#### Did NatWest act unfairly or unreasonably towards Mrs D in some other way?

Mrs D has said that before lending to her, NatWest were aware of a previous gambling issue and that there was a "marker" on her account due to this. She has said that the associate had to remove the marker before approving the lending.

NatWest has acknowledged that they do have such markers and the associate has acknowledged that he can remove markers with permission. However, they have said that there is no trail of such a marker having ever applied to Mrs D's account. I can't conclude that NatWest acted irresponsibly in removing a marker so they could lend, without any evidence of it having been applied in the first place. Regardless, based on what I have seen I might not have concluded that it was unreasonable to remove such a marker so to lend to Mrs D. The loan was for the purpose of a car, an essential for Mrs D and I might not have found that the marker shouldn't have been removed for such a necessity.

However, NatWest did previously agree to reconstruct Mrs D's remaining loan on an interest free basis, before withdrawing that offer. That has obviously caused some distress to Mrs D and although they are entitled to change their mind, it should be noted that there would have been a significant loss of expectation for Mrs D.

#### Conclusions

Overall and having carefully thought about the two overarching questions, set out on page one of this decision, I'm intending to issue a final decision which finds that I don't think NatWest treated Mrs D unfairly or unreasonably when bringing about her loans. As this is the case and while I sympathise with Mrs D as a result of any difficulties she might now be having, I'm afraid that I'm not intending to uphold her complaint. I appreciate that my provisional decision will be very disappointing for Mrs D. But I hope she'll understand the reasons for it and that she'll at least feel her concerns have been listened to.

NatWest has already paid out a significant amount in refunded interest of almost £6,000, which they say they will not attempt to recover. They have also paid Mrs D £250 for the distress and inconvenience caused. However, whilst I sympathise with the position Mrs D has found herself in, I haven't found that NatWest has done anything wrong with the checks carried out prior to lending. There was a loss of expectation for Mrs D but this has been more than compensated for by NatWest's refund and payment. So, I don't ask them to do anything more.

NatWest responded to say they acknowledged the provisional decision and had nothing further to add.

Mrs D responded to say that she maintained there had been a marker on her account prior to lending. She provided further evidence of what she said was the conversation where it was removed so she could borrow. Mrs D also wanted confirmation that the amount refunded would not be recovered, clarity on the amount owing and assistance with helping her repay the balance.

### **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.

My findings are as I explained in my provisional decision. Whilst I sympathise with the position Mrs D has found herself in, I don't believe NatWest treated her unfairly when lending to her. I appreciate that she has provided a further account of a marker being removed. However, it isn't enough for me to conclude that a marker existed and was removed. I also reiterate that I might not have concluded this was an unreasonable thing for NatWest to do, based on Mrs D's circumstances and the reason for the lending.

NatWest has confirmed they will not attempt recovery on the amount refunded to Mrs D. They have also said that they will contact her to help her with an arrangement to pay off what is owed. As I haven't concluded that NatWest have done anything wrong, I can't ask them to do any more than that.

### **My final decision**

My final decision, for the reasons set out above, is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 11 March 2022.

Yoni Smith

**Ombudsman**