

## **The complaint**

Mr B complains that National Westminster Bank Plc (“Nat West”) provided him with credit he couldn’t afford to repay.

## **What happened**

Nat West approved two credit card applications for Mr T. The first in November 2019 with a limit of £2,750 and a further card in March 2020 with a limit of £2,650.

Mr B says they were wrong to provide credit as it wasn’t affordable for him.

Nat West disagree. They say that when they approved the first credit card application they used a combination of credit reference agency, computer modelling, and self-reported information to assess the application. They also saw Mr B’s bank statements as he banked with them and they were aware he’d recently consolidated debts through a loan they’d supplied. They noted he was living with his parents, earning about £1,531 per month and there were no defaults or missed credit card payments for at least a year on his credit file. They said he’d declared no housing costs, but they’d established living costs of £589 and taken account of £307 of monthly loan repayments, they’d decided he would need to pay £53 towards his revolving credit balances and, based on all of that information, they thought he’d still have a disposable income of £582 to fund repayments towards this new application. They didn’t therefore think the credit was unaffordable.

When Nat West approved a further card four months later they said Mr B’s income was about £1,600 per month and his outgoings were similar with a disposable income of £408 per month. They said Mr B’s debt to income ratio at the point of this second application was about 62% and they didn’t think the card was unaffordable in those circumstances.

Our investigator agreed with Nat West, but Mr B didn’t, and he asked for a final decision by an ombudsman.

## **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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I’ve had this approach in mind when considering what’s fair and reasonable in the circumstances of this complaint.

I think Nat West completed proportionate checks before approving the first credit card. They had significant information available to them to be able to do that and considered Mr B's bank statements, credit file obligations, and his expenditure.

I've set their creditworthiness calculation out in the background and having completed that assessment I don't think there would be anything that would have raised concerns that Mr B couldn't afford the credit they were providing. Nat West were aware of Mr B's other debts and also aware that he'd refinanced those debts through a loan with them. His performance against his other credit commitments had been good and he appeared to have enough disposable income to afford the credit being provided. I don't think the first credit card application decision was therefore irresponsible and I think the credit would have been affordable based on the reasonable and proportionate checks Nat West completed.

I think Nat West also completed reasonable and proportionate checks before approving the second card. They considered the same comprehensive information they had before they approved the first card. But that doesn't necessarily mean the card was affordable for Mr B. So, I've thought about what that information should have shown Nat West. They've explained that they believed Mr B's disposable income would have been about £408 having taken into account nominal payments towards his new card.

The FCA's Consumer Credit Sourcebook (CONC) applies to all credit-related regulated activities. It's section on Creditworthiness and Sustainability said at the time Mr B applied for the credit card, that when considering whether credit was affordable a lender must assume the consumer draws down the entire credit limit available to them and it may consider the consumer repays that amount by instalments over a reasonable period. If Mr B had drawn down the whole credit limit and repaid over a reasonable three year period the instalments would have been about £380 a month. I think that assumption would have reduced his disposable income, but I still think he'd have enough disposable income to suggest the new credit card was affordable and I therefore don't think the second card was provided irresponsibly either.

### **My final decision**

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 October 2022.

Phillip McMahon  
**Ombudsman**