

## **The complaint**

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

## **What happened**

Nat West approved a £6,000 loan application and provided further credit in the form of a £1,500 overdraft limit in December 2021.

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

Nat West initially disagreed but have now agreed with our investigator’s findings that both the loan and the overdraft were unaffordable and shouldn’t have been provided.

There is agreement from Nat West that they should therefore refund any interest and charges that have been applied.

But the investigator didn’t think it would be fair to tell Nat West to refund the capital and Mr O thought she should have. He’s therefore 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 here.

I agree with the investigator’s view that the loan and overdraft were irresponsibly provided. Mr O was clearly reliant on credit and the frequent lending he was taking out prior to the agreement to approve his loan and overdraft, along with the significant gambling spend that would have been visible to Nat West as Mr O banked with them, should have alerted them to that.

In those circumstances we would usually tell the business to refund interest and charges on the credit provided but we wouldn’t ask them to refund the capital as the consumer would have benefitted from spending that. I don’t think the situation is any different here. I understand Mr O’s explanation that other companies rejected his credit applications because of his extensive gambling, but Nat West didn’t and have therefore lent irresponsibly. So, they shouldn’t benefit from those transactions and should return any charges and interest they have gained. But Mr O has benefitted from the capital and it wouldn’t be fair to refund that too.

## **Putting things right**

As I don't think Nat West should have approved the loan I don't think it's fair for it to charge any interest or charges. However, Mr O has had the capital he lent so I think he should pay that back. Therefore, with regard to the loan Nat West should:

- Deduct the repayments Mr O has made from the amount he was lent.
- If this results in Mr O having paid more than he received, any overpayments should be refunded along with 8% simple interest\* (calculated from the date the overpayments were made until the date of settlement).
- If any capital balance remains outstanding, then Nat West should attempt to arrange an affordable repayment plan with Mr O.
- Remove any negative information they may have recorded on Mr O's credit file relating to the loan.

And, with regard to the overdraft Nat West should:

- Remove all interest, fees or charges on the overdraft and return them to Mr O with 8% simple interest\*. The interest should be calculated from the date any overdraft fees, interest or charges would have arisen, to the date of settlement.

\*HM Revenue & Customs may require the business to take off tax from this interest. If it does, the business must give the consumer a certificate showing how much tax it's taken off if they ask for one.

## **My final decision**

I uphold this complaint and instruct National Westminster Bank Plc to 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 O to accept or reject my decision before 29 September 2022.

Phillip McMahon  
**Ombudsman**