

The complaint

Mr J complains that TSB Bank plc mis-sold him unsecured loans and that has caused him financial hardship

.What happened

In October 2015, Mr J took out a loan with TSB for £10,000 over a term of 42 months with a fixed interest rate of 12.68%.

In February 2016, Mr J refinanced the remaining balance of his loan with TSB for £9,688.71 over a term of 39 months with a fixed interest rate of 3.87%. He also took out another loan for £19,533 over a term, of 48 months also with a fixed rate of 3.87%.

In November 2017 Mr J took out another loan with TSB for £22,600 over a term of 87 months with a fixed interest rate of 9.6% and payments of £370.53 a month.

Mr J complained that TSB mis-sold the loans in 2015 and 2016. He said that it approached him to review his finances – but rather than do that, it sold him the two loans. And it didn't properly assess whether the loans were affordable. Mr J added that he was vulnerable and suffered mental health problems.,

Mr J said that he two loans caused him financial difficulty. But in 2017, when he approached TSB for help, it offered him another loan to repay the two existing loans, but only by way of another loan with a higher interest rate. Mr J considered that TSB should have extended the term at a lower interest at the same interest rate to help him. He also said that it has told him that the only way it could offer him further help was if the loan was in arrears.

The investigator didn't think the complaint should be upheld. When it was referred to me and I asked TSB for more information about the 2017 loan application. When I received that information I issued a provisional decision. While the outcome was the same as the investigator's, the reasons were different and in the interest of fairness I had to give Mr J the opportunity to comment on the new evidence.

My provisional findings, which form part of this decision, were:

TSB should carry out reasonable and proportionate checks into the affordability and sustainability of any loans it grants. That won't be a one size fits all approach. It will depend on the borrower's circumstances, how much they are looking to borrow and the terms of any loan.

2015 loan

Mr J hasn't complained about the loan he took in October 2015. But I think it is relevant here because that loan was refinanced in 2016 – and Mr J is complaining about the 2016 loan. Further, it is relevant as it establishes the pattern of borrowing.

TSB's notes show that it Mr J wanted the loan primarily to repay other debts. The evidence it has provided shows that it carried out a credit scoring exercise, considered Mr J's income and expenditure and "sense checked" his bank statements (he had a bank account

with TSB). Looking at the circumstances here, I think that reasonable checks were carried out – and that it was reasonable for TSB to lend Mr J the amount it did.

2016 loans

In February 2016, Mr J refinanced the remaining balance of his 2015 loan at a lower interest rate. He also borrowed a further £10,000 to repay other debts.

TSB carried out a credit score and looked at Mr J's income and expenditure. Its notes say that the loan would give Mr J "a bit of breathing space with moving and buying furniture...saving around £400pm with the re-finance".

It's not clear from the notes whether TSB checked Mr J's bank account or not. If it had done so, it would have seen that Mr J was again making payments towards all of the credit card balances he had cleared with the 2015 loan.

I think it would be difficult for me to criticise TSB for refinancing the 2015 loan at a lower interest rate – given I have found that it was a reasonable decision to lend Mr J that amount.

I think TSB should have reviewed Mr J's financial situation more closely in respect of the sustainability of his position. This was Mr J's second debt consolidation in around four months. He had accumulated a relatively significant amount of debt in a short period of time.

On the other hand, there was no suggestion that Mr J was struggling or couldn't manage his finances. The bank account was operated within its agreed overdraft limit. Mr J had recently moved, which he'd explained accounted for the need for the loan. And the loan reduced his outgoings by £400 per month.

Overall, while I can see the argument that TSB should have had concerns about the sustainability of the 2016 loan and should have carried out more thorough checks than it did, if it had done so I consider that it would have been reasonable for it to conclude that the loan was affordable and sustainable.

2017 loan

It isn't in dispute that Mr J told TSB that he was experiencing financial difficulty in 2017 – and that he was looking for help with his loan.

TSB has told us that it operates a policy where it explores refinancing existing borrowing to make the repayments more affordable, with the aim of preventing the borrower falling into arrears.

TSB said it would have carried out an income and expenditure exercise to determine if the loan was affordable – but it has no record of the information submitted. It has provided a copy of a script it said would have been read to Mr J. that includes reference to obtaining details of Mr J's income and expenditure. It also said that Mr J maintained the payments for some time – and that when it gathered information about his income and expenditure in 2021, there was surplus income available.

Restructuring borrowing is a legitimate thing for a lender to offer borrowers who may be experiencing financial difficulty – and can be a positive step. It reduced Mr J's outgoings and unlike other concessions would not have been recorded as adverse information on his credit file. Mr J was able to maintain the payments for some time. Based on the evidence we have, it seems more likely than not that TSB did carry out an affordability assessment and that (initially at least) the revised loan was affordable.

I see Mr J's point that it appears unfair that TSB took advantage of his position to charge him a higher interest rate than he had previously. But it isn't out of line with normal practice for lenders to charge a higher interest rate to reflect greater risk to it. There may well be situations where it wouldn't be appropriate for a lender to do that. But in the circumstances here I don't consider it was unfair. It was essentially an opportunity for Mr J to restructure his finances and make them more affordable before he fell into greater difficulty. And I think that was a reasonable offer from TSB, along with refunding bank charges. It was Mr J's decision to accept that offer.

I'm afraid there is no evidence that Mr J made TSB aware of any vulnerability at the time the loan was granted. So I can't see any reason why it ought to have adjusted its approach.

TSB accepted my provisional decision. Mr J did not respond.

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.

In the absence of any new evidence or arguments, I see no reason to change the decision I proposed in my provisional decision. TSB should have carried out more thorough checks than it did in respect of the 2016 loans – but if it had it seems that it would still have been a reasonable decision to lend Mr J the amount it did. The 2017 consolidation loan was a positive step in view of all the circumstances at the time in question.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 1 September 2022.

Ken Rose
Ombudsman