

## **The complaint**

Ms F says The Royal Bank of Scotland Plc (RBS) irresponsibly lent to her.

## **What happened**

Ms F applied for a credit card in February 2011. She was given a £6,300 credit limit.

Ms F says she shouldn't have been given this card, and her limit should never have been increased. She couldn't afford the credit, and had been declared bankrupt in 2004.

Our adjudicator did not uphold Ms F's complaint. He said RBS's checks when Ms F applied were proportionate and there was nothing in the information it gathered to suggest the credit would not be sustainably affordable. He clarified that there were no credit limit increases, but decreases in 2017 and 2021. And he could see no evidence Ms F had told RBS she was having financial difficulties so he could not conclude it had failed to respond appropriately.

Ms F disagreed with this assessment. She said RBS's checks were not proportionate. It should have placed significant weight on her bank statements. She had other debts she had to repay and if RBS had run proper credit checks it would have seen her previous bankruptcy.

## **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.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website.

The Office of Fair Trading (OFT) was the regulator when Ms F borrowed from RBS. The relevant rules and guidance set out by the OFT in its Irresponsible Lending Guidance (ILG) said that the lender needed to check that Ms C could afford to meet her repayments in a sustainable manner. This meant Ms C being able to meet her repayments out of her normal income without having to go without or borrow further.

The checks also had to be borrower-focused. So RBS had to think about whether repaying the credit sustainably would cause any difficulties or adverse consequences for Ms C. In other words, it wasn't enough for RBS to simply think about the likelihood of it getting its money back, it had to consider the impact of the loan repayments on Ms C.

Checks also had to be proportionate to the specific circumstances of each credit application. In general, what makes up a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (eg. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount, type and cost of credit they have applied for.

As credit card accounts are open-ended we also consider the length of time it would have taken to repay the credit provided, had a consumer used the full limit that was offered from the outset. I've kept all of this in mind when thinking about whether RBS did what it needed to before agreeing to lend to Ms F. This means in reaching my conclusion I have considered the following questions:

- did RBS complete reasonable and proportionate checks when assessing Ms F's account application to satisfy itself that she would be able to repay the debt in a sustainable way?
- if not, what would reasonable and proportionate checks have shown?
- did RBS make a fair lending decision?
- did RBS act unfairly or unreasonably in some other way?

RBS has said it asked for details of Ms F's net income (£2,800) and it checked this against her current account turnover (£2,816). It asked about her residential status (homeowner) and number of dependents (none) and used a percentage of her income to estimate her outgoings. This was based on national statistics. It then carried out a credit check to understand Ms F's existing credit commitments and credit history. It has shared the results of its search and this showed Ms F had outstanding unsecured debt of £2,800 with no delinquent accounts or defaults recorded. Taking into account her income, expenditure and credit commitments it concluded Ms F had disposable income of £756 and so it was fair to offer a card with a limit of £6,300 to her.

I think these checks were proportionate given the amount of credit being given, Ms F's verified income and the results of the credit check. I have recently issued another decision to Ms F where I concluded the lender's checks were not proportionate so I want to explain why my finding is different here: her income is higher at this time, her debt elsewhere is lower and the credit extended to her is lower. The checks a lender needs to do can vary for the same consumer based on a number of factors.

Ms F said that as she was declared bankrupt in 2004 RBS should not have lent to her, but this would only have been recorded on Ms F's credit file for six years. So it did not come through on the credit check RBS completed, and it would therefore not have been aware. Equally it would necessarily be fair for a lender to base a lending decision solely on historic adverse data. She also said RBS should have used the information in her bank statements, but reviewing statements is not a regulatory requirement, as I have said there is no set list of checks.

It follows I don't think RBS was wrong to give Ms F this credit card with its £6,300 limit.

*Did RBS act unfairly or unreasonably in some other way?*

I haven't seen any evidence that it did. Ms F says RBS ought not to have increased her credit limit, but it didn't. Rather it decreased her limit on three occasions – once in 2017 and twice in 2021. Ms F suggests the bank should have done more. Our adjudicator said he could not see Ms F had notified RBS that she was having financial difficulties, so there is no evidence it knew she was struggling and failed to help. Ms F doesn't accept she should have had to tell the bank, but I think the adjudicator's point is a reasonable observation and her monthly statements did say to call the bank in the case of financial difficulties.

I am sorry Ms F is now having financial difficulties and that her mental health has been impacted. I would urge her to contact RBS to discuss her current circumstances and I would remind RBS of its obligation to treat Ms F fairly and with forbearance.

**My final decision**

I am not upholding Ms F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms F to accept or reject my decision before 26 December 2022.

Rebecca Connelley  
**Ombudsman**