

The complaint

Mrs K complains that The Royal Bank of Scotland Plc irresponsibly gave her a loan that she couldn't afford. For simplicity, I will refer to the business throughout as 'RBS'.

What happened

In January 2020, Mrs K applied for a loan with RBS. She was given a loan of £7,500 and the monthly repayment was £189.

In 2022, Mrs K complained to RBS to say that the account shouldn't have been opened for her because it wasn't affordable.

Our adjudicator recommended the complaint not be upheld. Mrs K didn't agree. So, the complaint has been passed to me to decide.

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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

RBS will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Mrs K's complaint is that RBS made credit available that was unaffordable. RBS has explained that it carried out some checks to determine the amount of credit it was able to offer at the time of the lending. And it relied on information provided by Mrs K in support of her application. It's possible that RBS failed to make adequate checks before providing Mrs K with credit. But even if that's true, I don't think better enquiries would have caused RBS to think the initial credit was unaffordable.

I say this because Mrs K told RBS at the point of sale that she was working and in receipt of income. It transpired that Mrs K was also in receipt of other income. Mrs K told RBS that the purpose of the loan was for debt consolidation ('refinancing'). And I can see that nearly 90% of the loan was used shortly after the funds were released to pay off three credit accounts and an overdraft. The loan that RBS agreed for Mrs K provided enough to pay off the loans Mrs K discussed with RBS, provided a structured way of repaying those credit sources that had no such repayment plan in place (the credit cards) and would have cost Mrs K, most likely, less than the cost of maintaining the existing arrangements.

So, I don't see the lending decision of RBS to provide the loan for debt consolidation, as evidence solely of new credit being provided by RBS, adding to an already large amount of personal borrowing. Instead, it looks like Mrs K was taking steps, that could be termed sensible, to manage her existing debt by taking out this loan and using it to secure more favourable terms to existing credit. I say that because Mrs K would have been saving money on interest she would have been paying elsewhere and paying less for her debt than she was already paying. So, it doesn't seem automatically unreasonable for RBS to have facilitated that.

Mrs K was relying on earned income and monies from other sources at the time. Having considered all the details that have been provided about incomes and expenditures in this case, I've seen insufficient evidence that this loan represented unaffordable lending at the time it was provided.

I know that Mrs K will be disappointed with my decision as she has put time and energy into her complaint. But I want Mrs K to know that I considered all the submissions made in this case. Having done so, I have not found sufficient evidence to uphold this complaint.

My final decision

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 4 January 2023.

Douglas Sayers
Ombudsman