

The complaint

Miss H complains that it was irresponsible of TSB Bank plc to agree a loan for her.

What happened

In November 2021, Mrs H applied for and received a loan of £10,000. It was to be repaid in 84 monthly instalments of £154.22. She told TSB she wanted to use most of the money to repay debts she had with it – an overdraft and credit card. The loan was agreed, but Mrs H says TSB knew she was vulnerable and would have been able to see her income and expenditure as her current account was with it. She complained to TSB saying that if proper checks had been done, it ought to have refused to lend to her.

TSB looked into Mrs H's complaint. It said it had carried out its usual checks and, based on the information she'd given and that it held, it was satisfied it had lent to her responsibly. It rejected her complaint.

Mrs H didn't accept what TSB said, so she referred her complaint to us. One of our investigators looked into it. He felt the checks TSB carried out could have been more thorough, but even if they had, the bank would still have reached the decision to lend. He didn't uphold Mrs H's complaint.

TSB accepted what our investigator said, but Mrs H didn't. As there was no agreement, the complaint has been passed to me for a decision.

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 approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

TSB needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mrs H irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did TSB carry out reasonable and proportionate checks to satisfy itself that Mrs H was in a position to sustainably repay the loan?
- If not, what would reasonable and proportionate checks have shown at the time? Did TSB make a fair lending decision?
- Did TSB act unfairly or unreasonably towards Mrs H in some other way?

TSB had to carry out reasonable and proportionate checks to satisfy itself that Mrs H would be able to repay the loan sustainably. That is, Mrs H should be able to repay it without undue difficulty, while being able to meet other commitments and without having to borrow further.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loan, the amount of the monthly repayments, the purpose of the loan and the overall circumstances of the borrower.

Did TSB carry out reasonable and proportionate checks to satisfy itself that Mrs H was in a position to sustainably repay the loan?

When she applied for the loan, Mrs H gave TSB various pieces of information. This included that she had a monthly income of around £3,600 and expenses of £600. She said the loan was to repay other debts – she had around £5,600 of debt with TSB on an overdraft and credit card. These debts are generally much more expensive in terms of interest than this loan and are generally open ended. So it would seem a sensible decision for Mrs H to seek to consolidate the debt onto a single, less expensive, fixed cost and fixed term product.

While the purpose of the loan seemed sensible, the loan was increasing Mrs H's indebtedness to TSB and, as I've said, it had a duty to ensure the repayments would be sustainable for her. It's not clear what steps TSB took to verify this information. Mrs H gave her employment as a homemaker, so it seems unlikely she alone would've received the level of income she declared. So I'm not persuaded that the checks carried out by TSB were reasonable and proportionate in the circumstances.

What would reasonable and proportionate checks have shown at the time, and did TSB make a fair lending decision?

While I don't think the checks carried out were sufficient, I need to consider what TSB would've found had it been more thorough in its assessment of the application.

Mrs H declared she was married/in a civil partnership and as I've already said, she declared an income of around £3,600. This would have been straightforward for TSB to check as it had access to her current account. It has pointed out that the money paid into her account over the three months prior to her application for the loan supported the level of income she'd given.

Much of the income appeared to come from another individual with the same surname as Mrs H, so it wouldn't have been unreasonable for TSB to take that into account when considering the affordability of the loan.

While Mrs H's expenditure looked different from that she'd declared, her account was run within limits. She was up to date with payments to her credit card.

If TSB had carried out further checks on Mrs H's application, I'm not persuaded it would have discovered anything which would have made a difference to its decision to lend to her. The loan was reducing the cost of the borrowing she had with it and appeared to be sustainable based on what she told it and it knew from its own records.

I think on balance it reached a fair decision to lend to Mrs H.

Did TSB act unfairly or unreasonably towards Mrs H in some other way?

Mrs H has explained to TSB that she is a vulnerable consumer. I can see notes to that effect on TSB's system from 2019 – prior to this loan. But I've seen nothing to suggest that TSB was made aware that she needed extra help from it to manage her finances or that ought to have given it any concerns about agreeing to her application for the loan. I don't think it has treated her unfairly in agreeing to lend to her while she was noted as being vulnerable.

I appreciate that Mrs H will be disappointed with my decision, but I hope my explanation has been helpful. If Mrs H is in financial difficulty, I'd encourage her to work with TSB to find a suitable repayment plan. I take this opportunity to remind TSB of its obligation to treat Mrs H fairly.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 13 June 2023.

Richard Hale
Ombudsman