

The complaint

Mrs R complains that National Westminster Bank Plc didn't carry out proper affordability checks before providing her with a high interest rate loan. She says it then didn't help her when she asked for the term to be reduced.

What happened

Mrs R was provided with a £4,000 fixed sum loan in September 2021. The loan was repayable over 60 months with monthly instalments of around £117. The total amount repayable was around £7,027. Mrs R says that proper checks weren't carried out before the loan was provided. She says that she asked for the loan term to be reduced but NatWest were unhelpful.

NatWest issued a final response letter in May 2022 to address Mrs R's concerns about the affordability checks carried out. It said that Mrs R declared her monthly income as £1,500 and this was verified against her account. It said it carried out a full credit search to assess any additional borrowing Mrs R had at the time and this didn't raise any concerns. Mrs R's application passed its affordability checks and was approved without manual intervention. NatWest explained that the interest rate will have been determined based on a number of factors and was made clear to Mrs R before she agreed to the loan.

NatWest issued a second final response letter in September 2022. It noted Mrs R's comments about the service she received when she made a partial payment. It paid her £50 for any trouble and upset caused and gave further details about the impact of the payment and contact details to use if she wished to transfer the funds back or reduce her monthly payments.

Mrs R wasn't satisfied with NatWest's response and referred her complaint to the Financial Ombudsman service.

Our investigator noted that Mrs R obtained two loans from NatWest and her complaint was about the second loan provided in September 2021. He didn't think that NatWest did anything wrong by providing the loan and thought the £50 offered in regard to the customer service issues was reasonable. Therefore, he didn't uphold this complaint.

Mrs R didn't agree with our investigator's view. She said she had a large credit card balance and another loan in place at the time of the loan. She said she was paying council tax as well as direct debits for costs such as insurance and utilities. She says the loan was provided too easily and she was provided too much credit in a short space of time.

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.

NatWest 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 R has received two loans from NatWest. Her complaint relates to her second loan.

Before providing the loan, NatWest carried out a credit check and asked Mrs R about her income which was then checked against her statements. It also asked about Mrs R's expenditure, and this was taken into account alongside credit reference agency information. While I find these checks reasonable, as NatWest had Mrs R's bank statements available to it I think it would have been reasonable for it to consider the expenditure information in these as well as its other checks. Therefore, I have considered whether it was reasonable that NatWest provided this loan based on the information available to it at the time of lending that being information from the credit check, Mrs R's previous lending history and her bank statements.

Having looked through the credit information available (including a recent copy of Mrs R's credit report) I do not find that this raises concerns. Mrs R was maintaining her accounts well and there was no recent adverse information recorded. Mrs R has noted another loan provided by a third party and I can see that this was provided around the time of the NatWest loan, but I can't say that this would have shown on any credit check at the time the NatWest loan was provided. NatWest also provided Mrs R with a credit card around the same time. But this complaint is about the loan, and I do not find that her credit report or credit commitments at the time of the loan application raised any concerns. Mrs R had taken out a previous loan with NatWest and she had maintained her repayments on this and repaid the loan early. Overall, I do not find that NatWest should have been concerned or needed to carry out any additional checks based on Mrs R's credit record.

Considering the affordability of the loan, Mrs R's income was verified as being around £1,500 a month. NatWest recorded a monthly mortgage commitment of £420 and living costs of £589. Mrs R's credit file suggests that her mortgage was settled in July 2021. I have looked through Mrs R's bank statements and these show her regular monthly expenditure for costs such as utilities, council tax and insurance to average around £520. Including an additional amount for food and other living costs, I do not find this suggests the loan should have been considered unaffordable. I note Mrs R's comment about gambling but based on the information available to NatWest at the time I have nothing to suggest it would have been aware of this.

I understand that Mrs R wasn't happy that an interest charge was applied when she made a lump sum payment towards the loan but as this was in line with the terms and conditions, I cannot say NatWest did anything wrong by applying this. I also note this charge was refunded when Mrs R reversed her payment.

Mrs R has said that NatWest wasn't helpful when she asked about reducing her loan term. I understand that Mrs R feels she wasn't provided with all the information and help she wanted, and I can understand how frustrating she found this. However, in this case, having considered the information provided in response to her complaint and the payment of £50 compensation for the service received, I find this a reasonable resolution to this issue.

Mrs R has also said the interest rate was too high. I understand why she may feel this, but NatWest has explained the interest rate provided will be based on a number of factors and this is a commercial decision. As the interest rate was set out clearly in the agreement and Mrs R had this information available to her before agreeing to the loan, I find she had the information she needed to make an informed decision. Therefore I do not find I can say NatWest did anything wrong in regard to this issue.

My final decision

My final decision is that National Westminster Bank Plc isn't required to do anything further in settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 31 May 2023.

Jane Archer
Ombudsman