

The complaint

Mrs B complains that Metro Bank PLC trading as RateSetter irresponsibly gave her a fixed sum loan agreement she couldn't afford to repay.

What happened

Mrs B was the victim of fraud, in that she was coerced or tricked by a third party into taking out a loan with RateSetter. The loan application was made in February 2022 and the loan proceeds paid into Mrs B's bank account from which she then transferred the proceeds to the fraudster. The amount borrowed was £24,000. Mrs B was required to pay 60 monthly repayments of £461.60.

Mrs B has made a separate complaint about the loan being taken out fraudulently and that has been dealt with by a different ombudsman under a separate complaint. I won't therefore be commenting on those issues here. This complaint relates to Mrs B saying that RateSetter should never have approved the loan in the first place as appropriate affordability checks would have shown she couldn't afford to repay it.

RateSetter said it had carried out adequate affordability checks before granting the loan and these showed that the loan would be affordable to Mrs B. It said that it had already agreed to remove all interest and charges from the loan meaning Mrs B only needed to repay the capital borrowed and it considered this to be fair in the circumstances.

Our investigator didn't recommend the complaint be upheld. He thought RateSetter had completed reasonable and proportionate affordability checks and that it had made a fair lending decision based on what it could see.

Mrs B didn't agree, so the complaint has been passed to me for a final 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.

Prior to granting credit RateSetter were required to ensure Mrs B could sustainably afford to repay it. There isn't a set list of checks it had to complete, instead the requirement was that the checks it did were proportionate in the circumstances. This means that there wasn't a one-size-fits-all approach to what checks needed to be done. In deciding what was proportionate, RateSetter needed to take into consideration things such as (but not limited to): the amount borrowed, the total repayable, the type of credit, the cost of credit, the size of the regular repayments and the consumer's circumstances.

As part of the application RateSetter were told that Mrs B was self-employed with a monthly income of around £1,400. The application stated Mrs B was a homeowner with no mortgage. It also completed a credit check, which showed that Mrs B had some existing credit facilities which were being managed well, but it did show she held a mortgage. RateSetter got in touch with the applicant to ask further questions about Mrs B's income and expenditure,

including asking for copies of bank statements to verify her financial circumstances.

I've seen that RateSetter did review Mrs B's joint account statements for around five months prior to the lending decision, as well as her business account statements for the two months prior to the lending decision. This coupled with the information it obtained from her (or someone claiming to be her) and its credit check I think means it gathered a reasonable and proportionate amount of information and evidence to help it assess whether the loan was affordable. However, just because I think the checks were proportionate, that doesn't automatically mean it also made a fair lending decision. So, I've gone onto consider what the checks and evidence revealed to RateSetter.

The checks show that Mrs B's partner also earned an income and contributed to the household expenditure. Mrs B (or her partner) also received regular benefit payments as a form of income on top of their usual wages. The account activity from the bank statements RateSetter could see demonstrated that the RateSetter loan would be affordable to Mrs B (or at the very least to the household as a whole, as their income and expenditure appeared to be shared). It appears from the information and evidence they gathered that there was sufficient disposable income each month to afford the regular monthly repayments with funds left over for unexpected bills or other unforeseen costs.

I note also that a few months before this loan was taken out, Mrs B's joint bank statements show a sizeable deposit being made into savings bonds of nearly £30,000. I think this would also have given RateSetter some comfort that Mrs B had the means with which to repay the loan. Overall, based on the evidence and information that was available, I've not seen anything to make me think that RateSetter ought to have been concerned about the affordability of the loan. I therefore don't think it made an unfair lending decision.

In any event, RateSetter has already agreed to waive all the interest and charges under the loan agreement. This is all the financial remedy I would have required it to do if I had thought it lent unfairly to Mrs B. I note Mrs B is concerned about the entries on her credit file too, but as I don't think RateSetter made an unfair lending decision I don't think it would be fair or reasonable for me to make any direction in relation to what it is reporting about her repayments.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 6 October 2023.

Tero Hiltunen
Ombudsman