

The complaint

Mr L complains that National Westminster Bank Plc lent to him irresponsibly.

What happened

In March 2020 Mr L applied for a credit card with NatWest. NatWest approved the application and gave Mr L a credit card with an initial credit limit of £6,750.

Mr L complained that NatWest lent to him irresponsibly. He said he only asked for a £500 credit limit but was given £6,750. He says NatWest shouldn't have lent to him because it was apparent from his bank account that he was a heavy drinker, drug taker and gambler.

NatWest didn't uphold the complaint. It said it had carried out proper checks and found that Mr L had sufficient income to afford the credit card repayments.

Mr L was unhappy with the response and brought his complaint to this service.

Our investigator upheld the complaint. They said that NatWest hadn't made a fair lending decision when it gave Mr L a card with such a high credit limit.

Mr L didn't agree with the outcome. He didn't think he should have to pay back the full amount he'd borrowed and said he wanted the bank to accept a lower sum in settlement.

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. I've had this approach in mind when considering Mr L's complaint.

Before agreeing to lend, the rules say that NatWest had to complete reasonable and proportionate checks to ensure that Mr L was able to sustainably repay the loan. These checks needed to be focussed on the borrowers' circumstances and could take into account things like the amount of credit, the total sum repayable, the amount of the repayments and the consumers financial circumstances.

There's no set list of checks a lender has to complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

Mr L declared monthly income of £1320 when he applied for the account. He also declared that he had no dependants and that he was living at home with his parents. Mr L declared monthly expenditure of £794 which included living costs, existing credit repayments and revolving debt payments.

NatWest has said that it carried out an affordability assessment before lending to Mr L. It used the information provided by Mr L, as well as information it had obtained from credit reference agencies and the office of national statistics to carry out an income and

expenditure assessment.

NatWest has said that there was nothing in the information it obtained from Mr L's credit file which gave it cause for concern, NatWest hasn't been able to provide this service with a copy of the credit checks it carried out, so I haven't been able to look at what level of consumer debt Mr L already had and how this was being managed.

I've considered the high credit limit on the account. Given that Mr L had a low income, I think it would've been proportionate for NatWest to have carried out further checks to verify Mr L's income and expenditure to ensure that the lending was affordable for him.

I've gone on to consider what reasonable and proportionate checks would have shown. A reasonable check could have involved a review of Mr L's bank statements. I've looked at these for the period immediately prior to the credit application.

The bank statements show that Mr L's average monthly income was £1441, and his average monthly expenditure was £1553. This indicates that Mr L didn't have enough disposable income to make the minimum repayments on the account. Looking at Mr L's expenditure in detail, I can see that he withdrew large amounts of cash on a regular basis and also make payment to other credit card providers. There's information on the bank statements to suggest that Mr L was gambling. I think its reasonable to expect NatWest to have been aware that Mr L was gambling because he held his current account with them.

Taking everything into consideration, I don't think NatWest made a fair lending decision. If proportionate checks had been completed, I think NatWest would've seen that Mr L was unlikely to have been able to afford the lending.

Putting things right

I've explained why I don't think NatWest should've given Mr L the account. Mr L has had the benefit of the money he's spent, so I think it's fair that he repays all of this. However, I don't think NatWest should charge interest or charges under the agreement.

National Westminster Bank Plc should:

Rework the account removing all interest and charges.

If the rework results in a credit balance, this should be refunded to Mr L along with 8% simple interest per year *. NatWest should also remove all adverse information from Mr L's credit file relating to this account.

If after the rework there is an outstanding balance, NatWest should arrange an affordable repayment plan with Mr L for the outstanding amount. Once Mr L has cleared the balance, NatWest should remove all adverse information from Mr L's credit file relating to the account.

*HMRC require NatWest to deduct tax from any award of interest. NatWest must give Mr L a certificate showing how much tax has been taken off if he asks for one.

My final decision

My final decision is that I uphold the complaint. National Westminster Bank Plc must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 July 2023.

Emma Davy
Ombudsman