

The complaint

Miss M complains that National Westminster Bank Plc trading as Ulster Bank lent irresponsibly when it approved a loan for £3,500 in August 2019.

What happened

In May 2018 Miss M was approved for a loan with Ulster Bank of £1,500 over a 12 month period. In Miss M's application she said she was employed and earning around £1,200 a month. Ulster Bank used living costs of £432 and loan repayments of £28 a month and carried out a credit search and the loan was approved. The loan was repaid in May 2019.

In October 2018 Miss M applied for a second loan, to run at the same time as the first, this time for £2,000 over a 41 month term. Again, Ulster Bank says it looked at Miss M's income and outgoings, carried out a credit search and approved the loan in line with its lending criteria.

A third loan was approved in December 2018, this time for £1,500 over 48 months. Ulster Bank says it carried out a credit check, considered Miss M's income and outgoings (including her existing credit) and approved the loan on the basis it appeared affordable.

In July 2019 Miss M applied for a loan of £3,500 over 60 months. The loan funds were used to refinance the loan Miss M had taken out in December 2018. Ulster Bank says it looked at Miss M's credit file, assessed her income and outgoings and that the application was approved. Again, Ulster Bank says its lending criteria was applied to Miss M's application and that loan repayments appeared affordable based on the information it knew about her.

A month later, in August 2019, Miss M applied for another loan of £3,500. The term was 60 months and the application was approved by Ulster Bank.

Towards the end of 2019 Miss M contacted Ulster Bank to explain she was changing jobs and would be without pay in December 2019. Payments were later missed at the beginning of 2020 and Miss M entered into a debt management plan a short time later. That led to the loans with Ulster Bank being recorded as in default.

Last year, Miss M complained that Ulster Bank had lent irresponsibly when it approved the new loan in August 2019. Ulster Bank looked into Miss M's complaint and issued a final response but didn't agree it had acted unfairly or made a mistake when it approved the loans in her name.

Miss M referred her complaint to the Financial Ombudsman Service and it was passed to an investigator. The investigator upheld Miss M's complaint and said the frequency of loan applications should've caused Ulster Bank to carry out better checks before approving the loan in August 2019. The investigator upheld Miss M's complaint and said if Ulster Bank had looked at Miss M's bank statements before approving the loan it would've seen she was borrowing from various sources at an unsustainable level. The investigator asked Ulster Bank to refund all interest and charges applied to Miss M's loan from inception onwards.

Ulster Bank accepted the investigator's recommendations but Miss M asked to appeal. Miss M said she feels the final loan she took out with Ulster Bank impacted her ability to make repayments across all her loans with other creditors. Miss M says that as a result of Ulster Bank's loan she had to enter a debt management plan which she is still repaying. As Miss M asked to appeal, her complaint has been passed to me to make 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

I've looked at all Miss M's loan applications and bank statements going back some years to get a picture of her circumstances. I understand Miss M's complaint focuses on the August 2019 loan, but I've factored in that this was the fifth loan she'd applied for with Ulster Bank in a period of around fifteen months. Ulster Bank has told us Miss M's previous loans were all well handled with repayments being made on time. But I agree with the investigator that the circumstances of Miss M's final application, in August 2019, should've caused Ulster Bank to consider carrying out more comprehensive checks – like verifying her income or looking at bank statements.

Ulster Bank has provided bank statements covering the entire lending relationship. I can see that Miss M's income was in line with the figures provided in her application. And whilst I can see an increasing number of outgoings in respect of other credit Miss M obtained while she was also borrowing from Ulster Bank, I think it's fair to note the loans appeared affordable in terms of the disposable income available. But I think the fact Miss M applied for a second loan of £3,500 within a month of successfully obtaining another loan of the same amount should've indicated to Ulster Bank that she may've become dependent on credit to make ends meet.

As I've said above, Ulster Bank had access to Miss M's bank statements so could've used that option to look at her circumstances. Had it done so, I think it would've seen an increased level of borrowing and monthly repayments being made. And I think that, in addition to the level of borrowing Miss M already had with Ulster Bank, would've led it to decline further lending. I agree with the investigator that Ulster Bank lent irresponsibly when it approved Miss M's loan in August 2019.

Our investigator asked Ulster Bank to refund all interest, fees and charges applied to the loan it approved in August 2019 and it agreed. I understand Miss M feels the final loan was the key reason repayments weren't made to other debts she had. But I think it's fair to note Miss M contacted Ulster Bank at the end of 2019 to say she wouldn't be able to make the next repayment due to a change in her job. And whilst I agree Ulster Bank did lend irresponsibly, other creditors were responsible for ensuring repayments were affordable by completing lending assessments.

I'm sorry to disappoint Miss M but I'm satisfied the settlement set out by the investigator in their findings is a fair and reasonable way to resolve her complaint and in line with our approach. As I'm satisfied Ulster Bank has already agreed a settlement that is fair and reasonable in all the circumstances, I'm not increasing the award further.

My final decision

My decision is that I uphold Miss M's complaint and direct National Westminster Bank Plc trading as Ulster Bank to settle as follows:

Add up the total amount of money Miss M received as a result of having been given the loan in August 2019. The repayments made should be deducted from this amount.

- a) If this results in Miss M having paid more than she received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †
- b) If any capital balance remains outstanding, then Ulster Bank should attempt to arrange an affordable/suitable payment plan with Miss M if it hasn't done so already.

Remove any negative information recorded on Miss M's credit file regarding this loan once any outstanding balance has been settled.

† HM Revenue & Customs requires Ulster Bank to take off tax from this interest. Ulster Bank must give Miss M a certificate showing how much tax it's taken off if she asks for one

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 July 2023.

Marco Manente
Ombudsman