

The complaint

Miss B has complained that The Royal Bank of Scotland Plc (“RBS”) acted irresponsibly by providing her with a £250 overdraft.

What happened

Miss B successfully applied online for an overdraft with a limit of £250 in November 2017. All overdraft applications after this point were declined.

Miss B complained to RBS that the overdraft lending was irresponsible. RBS said based on the checks it did both internally and externally there was no adverse information which should have led it to question the information Miss B had provided about her income and expenditure and that it was satisfied the lending was affordable.

Miss B was unhappy with this and brought her complaint to this service. On review of Miss B’s circumstances RBS agreed to bring her overdraft to a nil balance as a gesture of goodwill.

One of our adjudicators looked into Miss B’s complaint and thought that there wasn’t enough information to show the overdraft wasn’t affordable or that Miss B was struggling to manage her money and thought that what RBS had agreed to do was a fair way to settle her complaint.

Miss B disagreed. She doesn’t feel clearing the overdraft is enough. She says she suffers from multiple mental health conditions that have been made worse by the overdraft lending.

So Miss B has now asked that her complaint be progressed for an ombudsman’s 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 general approach to complaints about irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when deciding Miss B’s complaint. Having considered everything provided, I’ve decided not to uphold Miss B’s complaint. I’ll explain why in a little more detail.

RBS needed to make sure that it didn’t lend irresponsibly. In practice, what this means is RBS needed to carry out proportionate checks to be able to understand whether Miss B would be able to repay what she was being lent before providing any credit to her. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.

Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower’s income

was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

I've kept all of this in mind when thinking about whether RBS did what it needed to before agreeing to Miss B's overdraft. Miss B was given what was an open-ended credit facility. So overall this means the checks RBS carried out had to provide enough for it to be able to understand whether Miss B would be able to repay her overdraft within a reasonable period of time.

Miss B first applied for a £250 overdraft in November 2017. Miss B's application was deemed affordable taking into account information Miss B provided about her income and expenditure as well as information held by other lenders provided through credit reference checks. And based on this information RBS was satisfied her score was high enough to provide her with the overdraft limit and facility she requested.

I accept that Miss B has told us she suffered from a gambling addiction and that her financial position may well have been worse than the credit check carried out showed or in any information she disclosed to RBS at the time. And it is possible that further checks might have told RBS this. But given the relatively low amount of credit being advanced, that her monthly income and expenditure showed a surplus of more than the overdraft limit and her statements showed little gambling activity at the time, I think RBS's checks went far enough and it was reasonably entitled to rely on the credit check it carried out.

That said, even though Miss B's overdraft wasn't provided irresponsibly, RBS still won't have acted fairly and reasonably towards Miss B if it applied any interest, fees and charges to Miss B's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Miss B was experiencing financial difficulty.

So I've considered whether there were instances where RBS didn't treat Miss B fairly and reasonably. I don't think that RBS did treat Miss B unfairly or unreasonably though. I say this because having looked at Miss B's statements I don't think there is enough to persuade me that RBS ought to have realised she might have been experiencing financial difficulty and was struggling to manage her money prior to it being notified of this.

The statements show that Miss B did use her overdraft and as time passed the gambling increased, but that in itself isn't enough to show that RBS ought to have known Miss B was struggling and that the overdraft lending wasn't sustainable. Miss B was receiving regular credits into her account that at times brought her account into credit and if not into credit significantly reduced it. I accept that Miss B's statements in 2020 showed more gambling transactions but there were equally as many other non-committed, non-contractual discretionary transactions.

Again, this doesn't necessarily mean Miss B wasn't struggling. But I don't think there is enough here which ought to have alerted RBS to have taken action and withdrawn the overdraft before Miss B got in touch. And in these circumstances, I don't think that it was unreasonable for RBS to proceed with adding the interest, fees and charges it did.

In any case RBS as a gesture of goodwill have agreed to bring the overdraft to a nil balance and effectively wipe the debt off. Taking this all into consideration, I'm not persuaded further compensation is due or would make a material difference to Miss B's circumstances. So it follows that I think what RBS has done is a fair way to settle Miss B's complaint and I'm not requiring it to do anything more.

My final decision

For the reasons I've explained, I'm satisfied that what The Royal Bank of Scotland Plc has already done to put things right for Miss B is fair and reasonable in the circumstances of this case. So I'm not requiring it to do any more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 31 August 2023.

Caroline Davies
Ombudsman