

## **The complaint**

Mrs D complains that National Westminster Bank Plc ('NatWest') irresponsibly gave her a loan that she couldn't afford.

## **What happened**

In December 2020, Mrs D applied for a loan with NatWest for the stated purpose of consolidating other debt. She was given a loan of £8,500 payable over 60 months with a monthly payment of £208.17.

Mrs D has complained to NatWest to say that the account shouldn't have been opened for her because it wasn't affordable. She also said NatWest ought to have been aware of previous borrowing she'd arranged.

Our investigator didn't recommend that the complaint be upheld.

As Mrs D didn't agree her complaint has been passed to me for 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've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

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 D's complaint is that NatWest made loan funds available to her that were unaffordable. NatWest has explained that it relied in part on information Mrs D provided at the time of application to assess affordability. They were entitled to rely on that information, but they also cross-checked it with information they already had about previous borrowing, being a credit card, overdraft and an earlier loan that that was taken out jointly.

NatWest also said that they carried out a credit search in Mrs D's name to assess her level of debt at that time and to understand how she had been managing that debt. NatWest's records show that the main purpose of the loan was to consolidate existing debt. Mrs D supplied information about her income at the time, stating it to be £1,600 per month. With that information and using their own scoring metric, NatWest decided to agree to the loan. So, there was some assessment of affordability at the time of the sale and so I think the

checks NatWest carried out were proportionate. I say that because NatWest appeared to have little reason to make further enquiries into Mrs D's expenditure at that time, based on the information it was provided by Mrs D and that it had obtained for itself. In short, I don't think NatWest was put on notice of any reason not to agree the lending.

Mrs D has told us that she was studying at the time and sent us evidence of this. Her bank statements show evidence of her receiving a regular income, although I see that it varied from month to month and didn't necessarily reach £1,600. Mrs D has told us that because she was studying she was able to achieve a higher income outside of term time. I think though, based on the information NatWest had obtained, there would still have been sufficient to make the loan affordable. So even if NatWest had chosen to seek clarification of Mrs D's income through payslips, for example, I don't think it's likely they would have seen anything that would have made the loan seem unreasonable.

I can also see that Mrs D received occasional payments from friends and family members. Whilst generally speaking we wouldn't treat such payments as income, I don't think I can totally discount such payments when looking at Mrs D's overall financial situation. But even if this had the effect of distorting her overall income picture to some extent, I have to consider this alongside what NatWest's own credit check showed. This showed that Mrs D's credit history was clean at the time of the loan application. When I say this, I mean that Mrs D's management of her existing credit showed no recent history of CCJ's, defaults or bankruptcies. It seemed from the credit file that at the point that the lending decision was made, Mrs D was able to manage her existing credit – this included her existing credit card previous loan and authorised overdraft. NatWest calculated that Mrs D potentially had around £700 in disposable income available each month, having allowed for her existing loan and credit card repayments and making an allowance of £600 for living costs.

I've also seen that she was making heavy use of her overdraft facility of around £2,000 but was not exceeding it. Whilst sustained use of an overdraft is always a concern, I don't consider that reliance on one is an automatic reason for saying that other credit ought not to be agreed. I've also seen that Mrs D had made six separate applications for her overdraft to be increased since April 2018.

Mrs D sent us her credit report. I've seen that aside from the earlier loan she'd taken with NatWest and her ongoing use of her overdraft, at the time she owed around £2,000 on her NatWest credit cards. She also owed around £600 on a separate loan.

I've also kept in mind that Mrs D's primary purpose in taking this loan was said to be for the purpose of debt consolidation. It would have appeared to NatWest that Mrs D was taking steps to manage her existing debt by taking out a loan and quite possibly using it to secure more favourable terms to existing credit she had. That means it's possible that Mrs D could have been saving money on interest she would have been paying elsewhere.

Mrs D says that her regular use of gambling sites was a factor in worsening her debt situation. NatWest says that wasn't something it became aware of when carrying out its checks before agreeing the application. And from what I've seen of Mrs D's credit history, including her credit report and bank statements, I can't say that there's enough to show or suggest that gambling was a significant issue for her at the time.

So, having considered all the submissions made in this complaint, I'm not persuaded that based on the information provided and its checks, that NatWest ought to have been prompted to act differently than it did. That means, having considered all the submissions made in this case, I have seen insufficient evidence to think that the credit NatWest provided to Mrs D was unreasonable.

I know that Mrs D will be disappointed with my decision, not least given that she has invested time and energy in pursuing her complaint. I have also taken on board what she has told us about how her concerns about her finances have affected her existing health situation as well as her mental health. I want Mrs D to know that I have carefully considered everything she's told us. But the position remains that I have not found sufficient evidence to uphold this complaint.

### **My final decision**

For the reasons set out, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 1 December 2023.

Michael Goldberg  
**Ombudsman**