

The complaint

Miss C complains that National Westminster Bank Plc (NatWest) was irresponsible to lend to her on several occasions.

What happened

NatWest agreed five loans for Miss C between October 2017 and May 2022. I've summarised some of the information it provided about these loans in the table below.

NatWest also agreed a £3,000 overdraft limit for Miss C on 9 October 2017, in between agreeing loans 1 and 2. I understand this was an increase to an existing overdraft limit of £500.

Loan number	Start date	End date	Amount borrowed	Total owed	Monthly repayment	Loan term (months)
1	02/10/2017	14/11/2017	£3,000	£3,763.20	£156.80	24
2	14/11/2017	16/11/2021	£7,000	£11,362.20	£189.37	60
3	22/09/2021	16/11/2021	£5,000	£5,908.80	£246.87	24
4	16/11/2021	Ongoing	£16,400	£23,782.80	£398.48	60
5	26/05/2022	25/07/2022	£1,000	£1,125.72	£93.81	12

Miss C's first loan was refinanced into a second a month later. Miss C took out a third loan while this second loan was still running and both the second and third loans were refinanced into a fourth loan taken out in November 2021. This loan is still outstanding. Miss C took out a fifth loan in May 2022 which was fully repaid shortly after. I understand Miss C held two current accounts with the bank which were closed earlier this year.

Miss C complained to NatWest about her loans and her overdraft. She said that NatWest didn't carry out appropriate checks before lending to her. She said she had a current account with the bank and was fully utilising her £3,000 overdraft which should have raised the concern that she was in financial difficulties. Miss C said that the loan provided to her in November 2017 fuelled her gambling addiction and NatWest would have known that she spent money on gambling prior to agreeing it. Miss C also said NatWest would have known about her gambling when it granted her an overdraft of £3,000 and that it failed to identify that she was borrowing from short term lenders.

NatWest didn't uphold Miss C's complaint about her loans or her overdraft. It said that it relied on information she provided along with information from credit reference agencies when considering her credit applications. It said the checks were carried out in line with its lending criteria at the time and it would have declined her application had the checks raised any affordability concerns. NatWest also said that Miss C's credit file didn't show any adverse information such as defaulted accounts or county court judgements.

Miss C referred her complaints to us. Our investigator found that NatWest carried out proportionate checks prior to agreeing each loan and it seemed the loans were affordable for

her. They didn't recommend that her complaint about her loans be upheld.

Miss C asked for her complaint to come to an ombudsman for review and it came to me. I issued a provisional decision on 7 November 2023 explaining why I didn't think Miss C's complaint about her loans or her overdraft should succeed. I allowed time for either party to comment on what I'd said or provide any new information they wished me to consider when making my final decision. NatWest accepted my decision and neither party provided any comment or new information.

Miss C told us in June of this year that NatWest also irresponsibly provided her with a credit card account. We advised her to raise a complaint about that facility with the bank in the first instance. To confirm, this is my final decision on the matter and only deals with Miss C's complaint about her overdraft and the above loans.

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.

Having reviewed everything again and having no comments or any new information to consider, I see no reason to depart from my provisional conclusions. I'll set out my reasons again for not upholding Miss C's complaint in this final decision.

As before, I've had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as NatWest, need to abide by. NatWest will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise and refer to them where appropriate.

Before entering into a credit agreement, NatWest needed to check that Miss C could afford to meet her repayments out of her usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences. In the case of running account credit, such as an overdraft, where there wasn't a specified repayment term, NatWest needed to check that Miss C could repay what she borrowed without difficulty within a reasonable period of time. The checks NatWest carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Miss C's particular circumstances.

The overarching requirement was that NatWest needed to pay due regard to Miss C's interests and treat her fairly. CONC 2.2.2G(1) gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did NatWest complete reasonable and proportionate checks when assessing Miss C's applications for credit to satisfy itself that she would be able to make her repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did NatWest make fair lending decisions?

Lending in 2017

NatWest said to Miss C in its final response to her complaint that it assessed her applications on the basis of information she provided about her income and expenditure. It explained to us that it corroborated that information with the average credit turnover of Miss C's bank accounts and considered her existing credit commitments based on

information from credit reference agencies (CRAs). It estimated Miss C's living costs based on national statistical datasets. I've summarised some of the information NatWest relied on in the table below.

Loan number	Stated income	Stated housing costs	Non-NatWest loan repayments	Estimated living costs	Estimated total expenditure
1	£1,800	£760	-	£556	£1,316
Overdraft	£1,800	£750	-	£556	£1,306
2	£1,800	£780	£20	£556	£1,356
3	£2,280	£500	£375	£641*	£1,516*
4	£2,200	£485	£443	£641*	£1,569*
5	£2,499	£500	£467	£830*	£1,797*

** Information from assessments of other borrowing applications made to NatWest around that time*

When Miss C applied for her first loan on 2 October 2017 she declared her income as £1,800. NatWest recorded that her rent or mortgage was £760 a month and that she had other monthly costs of £556. It didn't record any non-NatWest loan repayments and estimated that Miss C had £484 available each month to meet her loan repayment of £157 and any other expenses.

The regulations at the time stated that it wasn't generally sufficient to rely solely on a customer's statement of current income in a creditworthiness assessment. Miss C's wages were paid into one of her NatWest bank accounts and so the bank had access to this information. It would have seen that Miss C's income was as she'd said so further consideration of this figure wouldn't have revealed an inconsistency.

NatWest said that at the time of the applications there was no adverse information recorded against Miss C's accounts such as credit defaults, court judgements or bankruptcy either on its records or on the CRA data it obtained. I haven't seen the detail of the CRA data NatWest relied on nor has Miss C provided us with a copy of her credit file. In the absence of any information to the contrary I have accepted that NatWest saw no adverse information on Miss C's credit record.

Altogether, I can't say that there was anything in the information NatWest had about Miss C's circumstances that should have led it to decline this loan application or should have prompted it to complete further checks before entering into the agreement. There were no obvious signs of financial difficulty in the information it relied on and the loan repayments weren't so large relative to Miss C's means that they were clearly unaffordable. I haven't found that NatWest lent irresponsibly on this occasion.

About a week later on 9 October 2017 NatWest agreed an overdraft limit of £3,000 for Miss C. This was an open-ended credit facility and NatWest needed to check that Miss C would be able to repay any money borrowed within a reasonable period of time, not just the interest and fees. From what I can see NatWest relied on the same information as before and estimated that Miss C would have enough money left over to repay the overdraft borrowing even if she borrowed up to the limit. As with the above loan, I can't say that there was anything in the information NatWest relied on about Miss C's circumstances that should have led it to decline this loan application or should have prompted it to complete further checks before entering into the agreement. And, if it had verified Miss C's income from her bank statements, it would have seen it was as she had said.

Miss C told us that NatWest failed to identify that she was borrowing from short term lenders

and was spending money on gambling before it agreed to her overdraft. I haven't seen any evidence of short term borrowing on Miss C's bank statements covering 2017 and I don't know to what extent she was using this type of borrowing because I haven't seen a copy of her credit file. There are some gambling transactions on her bank statements but, as mentioned, I don't think the information NatWest relied on for its lending decision would have raised concerns about the affordability or sustainability of this credit for Miss C and I don't think it needed to look into her circumstances further before lending to her. So I can't find that NatWest was irresponsible to have increased her overdraft limit on the basis of the information it had gathered.

Miss C applied for another loan the following month on 14 November (which was disbursed on the 20th). NatWest relied on the same information as before which yielded similar results. This might well have been a reasonable and proportionate approach in some circumstances. However, Miss C had only just taken out a £3,000 loan and now wished to borrow another £4,000. As mentioned, NatWest had also just agreed an increased overdraft limit of £3,000 for Miss C. Her account had been in credit up to that point but she'd gone overdrawn on 13 November and by 16 November her overdraft balance had reached £2,660.

I think all of this should have prompted NatWest to go further in its checks on this occasion. It would have been proportionate for it to have carefully considered all the information it had available about Miss C's income and expenditure to check she'd be able to meet her repayments sustainably for this new loan over the term.

I've reviewed the bank statements NatWest provided for the account Miss C's income was paid into and which now had a £3,000 overdraft limit. I can see her income of £1,900 deposited in October 2017. There are few identifiable expenses but many gambling transactions - over £2,000 of her overdraft was spent on gambling in the days prior to her second loan. Miss C shared with us that she had a gambling addiction and said that this loan fuelled her spending. I can see that Miss C spent over £3,000 on gambling within a few days of the loan deposit.

It would seem from my summary that Miss C was spending more than her means on gambling and so it wasn't likely that she'd be able to repay any credit without difficulty. However, I don't know the detail of Miss C's financial circumstances at the time. As mentioned, I don't have a copy of her credit file and Miss C hasn't explained her circumstances. Aside from identifiable purchases and identifiable gambling spend and refunds on this bank account statement, there were multiple transfers in and out to other accounts and cash withdrawals and deposits. These transactions ranged from a few thousand pounds in August and September, to around £17,000 in October.

Given how the account was being managed, I can't say that Miss C was spending money on gambling, or anything else, beyond her means and so I can't reasonably find that the loan was unaffordable for her. I don't think NatWest would have declined to lend to Miss C on the basis that her spending patterns were evidently causing her financial harm and that further lending was likely to compound that and so was clearly unsuitable. Altogether, I can't find that NatWest was irresponsible to have agreed this loan for Miss C.

Lending in 2021 and 2022

NatWest recorded Miss C's income as £2,280 when she applied for her third loan in September 2021. It recorded her monthly rent/mortgage repayments as £500 and her monthly repayments to other creditors as £375. At this point Miss C's second loan with NatWest was still ongoing with monthly repayments of £189. Agreeing a new loan with repayments of £247 would potentially commit Miss C to paying over £800 a month on unsecured debt, over a third of her stated income.

The regulations in place at the time said that certain factors may point to a more rigorous assessment and others towards a less rigorous assessment. I think NatWest needed to take more care here because of the level of Miss C's existing debt repayments. As with her previous loan, I think it would have been proportionate for NatWest to have carefully considered all the information it had available to it about Miss C's income and expenditure to check she'd be able to meet her repayments without difficulty for this total amount of credit over the loan terms.

I've reviewed Miss C's bank statements from the time and her income was as stated, on average. There was no evidence of gambling at that time and her account had been in credit for at least six months, usually by several thousand pounds. The account was still being managed as before, with relatively significant transfers in and out along with cash deposits and withdrawals, for example over £11,000 the month before. I can't say that Miss C was spending beyond her means and so I can't reasonably find that the loan was unaffordable for her based on what I've seen on her bank statements.

As I've said above, I don't know the extent of Miss C's borrowing from elsewhere. Miss C hasn't provided any information about her general financial circumstances, beyond mentioning she borrowed from short term lenders. I have seen a few token payments to a short term lender and a debt collector in the months preceding this loan but in the context of the account as I've described I don't think NatWest would have considered that Miss C was in financial difficulty based on these transactions alone. Altogether, I don't think NatWest would have declined to lend to Miss C on the basis that she was experiencing financial difficulty and further lending was likely to add to that, even had it carried out further checks before lending to her.

Miss C applied for another loan two months later in November. NatWest relied on similar information as before recording Miss C's income as £2,200, her rent/mortgage as £485 and her repayments on existing non-NatWest loans as £443. Miss C consolidated her existing two loans with this loan and so her monthly repayment going forward was £398, slightly less than before but agreeing this loan potentially committed Miss C to paying close to 40% of her income on repaying debt. This was Miss C's fourth and largest loan with the bank in four years and indebted her for another five years. Altogether, I think it would have been reasonable and proportionate of NatWest to have considered all the information it had about Miss C's means before lending to her again.

I've reviewed Miss C's bank statements and I've seen no evidence of gambling around this time. As before, there are relatively significant transfers into and out of her account along with cash deposits and withdrawals, for example over £20,000 in September. I can't say that Miss C was spending beyond her means and so I can't reasonably find that the loan was unaffordable for her. I don't think NatWest would have declined to lend to her on the basis that she was experiencing financial difficulty and further lending was likely to add to that.

Miss C applied for her fifth and final loan with NatWest in May 2022. For the same reasons I've given above for her 2021 loans, I haven't found that NatWest was irresponsible to lend to her on this occasion either.

Summary

Based on the information I have available, I've concluded that NatWest wasn't irresponsible to lend to Miss C in 2017, 2021 or 2022 nor was it irresponsible to have increased her overdraft limit in 2017.

My final decision

For the reasons given above, I am not upholding Miss C's complaint about National Westminster Bank Plc and don't require it to take any action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 28 December 2023.

Michelle Boundy
Ombudsman