

## **The complaint**

Mr T says The Royal Bank of Scotland Plc (RBS) irresponsibly lent to him.

## **What happened**

Mr T took out a loan online from RBS on 5 October 2022. The loan was for £15,000 over 78 months. The monthly repayments were £286 and the total repayable was £22,352.46.

Mr T asks that the loan be written off as he took it out whilst he was being scammed and he has lost a significant amount of money. He believes RBS should have known he was the victim of a scam and so should not have lent to him.

Mr T has brought separate complaints regarding the scam; this decision looks solely at whether the loan was given irresponsibly.

RBS says it was not aware at the time of the application that Mr T was subject to a scam. Its checks showed the loan was affordable for Mr T. And the first time Mr T contacted it to claim he had been the victim of a scam was 28 October 2022. It noted that a different retail banking business in the same group as RBS had contacted Mr T concerned he was subject to a scam in September 2022, but Mr T reassured it the payments were legitimate. However on 1 December 2022 he raised a scam claim with that bank.

Our investigator did not uphold Mr T's complaint. She said RBS's checks were not proportionate given the term and value of the loan. But better checks would still have shown the loan to be affordable for Mr T. She did not find any evidence RBS was aware Mr T was being, or at risk of being, scammed. And the bank that did is a separate entity. In the circumstances however RBS has agreed to remove all interest from the loan from January 2023 onwards.

Mr T disagreed with this assessment. He said, relevant to this complaint, that when he spoke to the other bank in September 2022 he thought the person he spoke to represented both banks. Also his income was less than £1,000 and as he had lost almost all of his savings due to the scam(s) this meant he could not comfortably afford the loan.

The investigator and Mr T then discussed the case and Mr T made the following points about the lending decision – the scammer had completed the loan application using remote access software and all interest was due to be suspended on the loan so he only owed the capital.

RBS said in the circumstances of this case, and as a gesture of goodwill, it was willing to refund the interest applied to the loan leaving only the capital balance repayable.

Mr T still asked for an ombudsman to review his case.

## **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 unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mr T's complaint.

RBS needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr T could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and Mr T's income and expenditure.

Certain factors might point to the fact that RBS should fairly and reasonably have done more to establish that any lending was sustainable for Mr T. These factors might include Mr T's income, how much the repayments were, the frequency of the borrowing and how long Mr T had been indebted.

RBS told us it reviewed the income into the current account Mr T held with it. And it completed a credit check that returned the result 'full clean accept' confirming that no adverse information was on his file. But RBS hasn't shared this data that it gathered. In the absence of the results of its initial checks it is difficult to conclude with any certainty that they were proportionate. Plus Mr T did not hold his primary current account at RBS so I don't think it could have completed a reliable affordability analysis without broader checks, and it should have considered that. Given the term and value of the loan I think RBS need to have a good understanding of Mr T's financial position – so incomings and fixed outgoings - before lending. It hasn't properly evidenced that it did, so I have looked at Mr T's bank statements to try to recreate what better checks would have shown.

From the information I have seen I find the loan was most likely affordable for Mr T. His monthly income was around £975 and his fixed living costs (excluding groceries) were around £380. It seems he had two active credit cards – the repayments varied each month. But overall it seems Mr T had the disposable income to take on this loan. There were none of the typical signs of financial difficulties such as the reliance on an overdraft; returned direct debits; payments to debt collection agencies; informal borrowing from friends and family or use of payday loans. So overall I think RBS could reasonably have made the same lending decision had it completed proportionate checks.

I have then considered Mr T's point that RBS ought to have been aware that he was likely the victim of a scam. I haven't seen any evidence that as of 5 October 2022 it was, or should have been, on notice of this risk. There was no out of character activity on his RBS account. The bank that had intervened in some of Mr T's banking activity is a separate trading entity to RBS, so reasonably it would not have been aware. I have not found any evidence to support Mr T's understanding that the fraud prevention call from the other bank in September 2022 was made by an adviser on behalf of both banks.

Mr T also raised that the scammer completed the loan application using remote access software - inferring it was fraudulent. But he had given the access and permission for the application to be submitted in his name. So I can't see how RBS would have been aware that a third-party was involved.

It follows I have not found any failings on the part of RBS. I would add that as the bank has now agreed that Mr T only needs repay the £15,000 capital he borrowed, he is largely in the same position as he would be had I upheld the complaint on the basis of irresponsible lending. In such cases we instruct banks to refund any interest and charges applied, but the complainant generally still has to repay the capital. I have found no grounds to instruct RBS to write-off the balance in full.

I am sorry that Mr T fell victim to a number of scams and I do understand this has been very distressing for him. I hope he now has the support he needs. I would urge him to now contact RBS to set up a repayment plan. I would remind RBS of its obligation to treat Mr T fairly - and with forbearance if appropriate. If Mr T is having financial difficulties he may find it helpful to seek support from an organisation that helps with this type of situation such as StepChange (tel: 0330 055 2198) - if he hasn't already done so.

### **My final decision**

I am not upholding Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 February 2024.

Rebecca Connelley  
**Ombudsman**