

Complaint

Mr D has complained about personal loans The Royal Bank of Scotland Plc ("RBS") provided to him. He says these loans were to repay credit card debt, but he was nonetheless allowed to keep his card leading to increased debt which he turned to further loans for.

Background

In June 2017, RBS provided Mr D with a first loan for £24,050.00. The total amount to be repaid of £26,448.60, which included interest, fees and charges of £2,398.60, was due to be repaid in 60 monthly instalments of £440.81.

Mr D successfully applied for a second loan for £10,500.00 in January 2018. The total amount to be repaid of £11,225.76, which included interest, fees and charges of £725.76, was due to be repaid in 48 monthly instalments of £233.87.

Finally, in January 2019, Mr D applied for a third loan for £9,000.00. The total amount to be repaid of £10,587.60, which included interest, fees and charges of £1,587.60, was due to be repaid in 60 monthly instalments of £176.46. In June 2019, Mr D applied for a further loan of £40,150.00. But RBS declined this application.

Mr D has had a credit card with RBS for a number of years. But he hasn't complained about his credit card. And as Mr D has only complained about his personal loans, this decision is solely focusing on the personal loans Mr D was provided with in June 2017, January 2018 and January 2019.

One of our investigators reviewed what Mr D and RBS had told us. And he thought that RBS hadn't done anything wrong or treated Mr D unfairly. So he didn't recommend that Mr D's complaint be upheld.

Mr D disagreed with our investigator and asked for an ombudsman to look at his complaint.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr D's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr D'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 Mr D could afford to repay before providing these loans.

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. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

RBS provided Mr D with personal loans for £24,050.00, £10,500.00 and £9,000.00 in June 2017, January 2018 and January 2019. These loans were due to be repaid in 60 instalments of just over £440, 48 instalments of just over £230 and 48 instalments of just over £175 respectively.

RBS says it agreed to Mr D's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against the funds being received into his bank account and information on credit searches it carried out and all of this information showed Mr D could afford to make the repayments he was committing to. On the other hand, Mr D has said that RBS shouldn't have allowed him to keep refinancing his credit card debt.

I've carefully thought about what Mr D and RBS have said.

RBS has not provided me with the details of what it saw when it carried out its credit checks. Nonetheless, I have considered Mr D's RBS current account statements in order to get an idea of what RBS is likely to have seen at the respective times. Having considered the information provided, I've not seen anything to indicate that Mr D had defaulted accounts, missed payments, short-term or high-cost borrowing, or anything else that would indicate that he was experiencing significant difficulties making his payments.

Furthermore, when I look at Mr D's bank statements for information on Mr D's regular living costs and his income at the respective times, he does appear to have had enough left over to be able to make the payments to these loans. So it's difficult for me to say that RBS needed to do more, or more importantly it should have decided against lending to Mr D.

I accept it's possible that Mr D's actual circumstances might not have been fully reflected either in the information he provided, or the information RBS obtained. I've seen what he has said about being allowed to keep his credit card and the effect that this had. Given the conduct of Mr D's credit card account there may be an argument regarding whether Mr D's credit card should have been closed, or had its limit reduced.

However, I can't see that Mr D has complained about his credit card. So I can't look into whether he should have been permitted to continue using his credit card. And if he wants this matter (particularly as he says the reason for the apparent surplus in his current account is because he moved his essential spending to his credit card) looked into, then he will need to contact RBS about this in the first instance. To be clear, as Mr D's credit card hasn't formed part of this particular complaint, I am making no findings in relation to it here.

I've also kept in mind that loans 2 and 3 were taken while previous loans were outstanding and repeat lending can sometimes be indicative of unsustainable borrowing. But Mr D had maintained his payments to loan 1 by the time of loan 2. And he'd done the same for loan 2 by the time he was applying for loan 3.

Furthermore, given the amounts involved, it wasn't immediately obvious that Mr D might have been taking loans 2 and 3 because of the effect the repayments to loans 1 and 2 was having on his finances. Indeed, even though it's fair to say that the combined payments for Mr D's loans took up a chunk of his income, he nonetheless had a surplus of funds in his account even when he was in the process of paying all three of his loans.

As this is the case, I don't think that RBS did anything wrong when deciding to lend to Mr D – the information provided indicates that proportionate checks would have suggested that the repayments for these loans were affordable. And the second and third loans were not provided in circumstances where it was not immediately apparent that they were unsustainable for him. So I don't think that RBS acted irresponsibly in providing these loans.

I now turn to Mr D's comments regarding RBS' actions when he said that he was experiencing difficulty. It is clear that Mr D has got into contact with RBS on more than one occasion about his payments. For example, I can see that he got in touch for pandemic repayments holidays on a couple of his loans and these were provided. RBS has also accepted that it could have been more sympathetic to Mr D when he got in contact and has provided feedback to its staff as a result.

More importantly, I can see that two of Mr D's three loans were paid in full. And I can't see that he ended up missing payments on any of his loans. So it is not apparent to me that Mr D has lost out because of RBS' poor service. But if Mr D is having difficulty repaying his remaining loan, I'd encourage him to get in contact with RBS so that it can complete an income and expenditure assessment with him in order to determine how much if anything he can repay. Should Mr D be unhappy with any assessment he can that complain about this.

Overall and having considered everything, I've not been persuaded to uphold Mr D's complaint. I appreciate this will be very disappointing for Mr D – particularly as its clear that he feels strongly about this matter. Although it seems as though he is most unhappy about his credit card remaining available to him after having been provided with these loans. In any event, I hope that he will understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 March 2024.

Jeshen Narayanan
Ombudsman