

Complaint

Miss S has complained about a loan The Royal Bank of Scotland Plc ("RBS") provided to her.

She says the loan was unaffordable and so shouldn't have been provided.

Background

Miss S has also complained about an overdraft that she has with RBS. But we're looking at that matter separately and this complaint is only considering whether RBS acted fairly and reasonably towards Miss S when providing her with her loan.

RBS provided Miss S with a loan for £2,000.00 in December 2022. This loan was due to be repaid in 36 monthly instalments of £81.11. One of our investigators reviewed what Miss S and RBS had told us. And he didn't recommend that Miss S' complaint be upheld.

Miss S disagreed and asked for an ombudsman to look at her 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 Miss S' complaint.

Having carefully considered everything, I've decided not to uphold Miss 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 S could afford to repay before providing this loan.

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 says it agreed to Miss S' application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against the average turnover on Miss S' RBS account and the credit searches and all of this information showed Miss S could afford to make the repayments she was committing to.

On the other hand, Miss S has said she already had significant borrowing at the time and had recently taken out loans. So she shouldn't have been lent to.

I've carefully thought about what Miss S and RBS have said.

The first thing for me to say is that RBS has suggested it carried out credit searches which showed that Miss S did have some existing credit commitments and what she did have was relatively well maintained. I can't say for sure what RBS saw. However, having looked at the copy of Miss S' full credit file which she has provided, I think fair to say that Miss S' existing commitments at the time of this application were relatively well maintained.

Miss S has referred to taking out other loans in the lead up to this one. But given one of them appears to have only been taken out in November 2022, I think that it is unlikely to have shown on RBS' checks. That said, the loan was for a very low amount so even if it did, I don't think that this in itself means that it was unreasonable to lend this loan to Miss S – particularly given the low amount of the monthly payment here.

I accept that Miss S appears to be suggesting that her actual circumstances may not have been fully reflected either in the information she provided, or the information RBS obtained. For example, she says that she had been working part time for three months and her income was lower than what she declared.

But it's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. Given the low amount borrowed, the low monthly payments and the lack of obvious indicators of difficulty in the information obtained, I don't think that RBS' decision to lend was unreasonable.

As this is the case, I don't think that RBS did anything wrong when deciding to lend to Miss S - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

In any event, at the absolute best, I would have expected RBS to have obtained further information on Miss S' regular living expenses. The information Miss S has provided doesn't show me that her living expenses made this loan unaffordable. So I don't think that RBS doing more in this instance would have prevented it from lending to her.

Therefore, I don't think that RBS treated Miss S unfairly or unreasonably when providing her with her loan. And I'm not upholding Miss S' complaint. I appreciate this will be very disappointing for Miss S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like remind RBS of its obligation to exercise forbearance and due consideration should it intend to collect on the outstanding balance on Miss S' loan and it be the case that she is experiencing financial difficulty.

My final decision

For the reasons I've explained, I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 6 May 2024.

Jeshen Narayanan
Ombudsman