

The complaint

Mr B complains that National Westminster Bank Plc failed to take account of what he told it about his mental health before agreeing to lend to him. He says NatWest lent to him irresponsibly as a result.

What happened

Mr B says that in 2020 he informed NatWest he had been suffering from mental health issues which meant he lacked capacity in certain instances to make financial decisions. Since then he has applied for and had agreed, the following credit cards and limit increases:

Date	Card	Credit limit
November 2021	Card 1	£3,900
August 2022	Card 1 increase	£4,450
September 2022	Card 2	£3,500
September 2022	Card 2 increase	£4,100
July 2023	Card 2 decrease	£2,820
October 2022	Card 3	£2,650
November 2022	Card 3 increase	£3,200

Mr B says NatWest failed to take into account his mental health issues and also failed to carry out appropriate affordability checks when agreeing the above facilities. He complained to NatWest on 24 August 2023.

NatWest looked into Mr B's complaint and issued a final response. It acknowledged that he had told it about his mental health issues, but it had no record of Mr B declaring he didn't have capacity to make financial decisions. NatWest said that in the absence of such a declaration, it had to assume he does have capacity to deal with his affairs.

NatWest reviewed its decisions to lend to Mr B and felt the checks it had done were reasonable and proportionate, and that the limits provided were affordable for him. It rejected Mr B's complaint.

Mr B was unhappy with NatWest's response, so he referred his complaint to our service. One of our investigators looked into it. He said he'd not seen any evidence that Mr B's mental health conditions had affected his ability to manage his finances, so he felt it was reasonable for NatWest to have considered his applications for credit. Our investigator said that on some occasions NatWest ought to have done more to check the lending was affordable for Mr B, but he was satisfied that further enquiries would have been likely to have led to the lending still being granted. He didn't uphold Mr B's complaint.

Mr B didn't agree with our investigator's view of his complaint. As there was no agreement, the 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 thought very carefully about the circumstances in this case and considered everything each party to the complaint has said. I won't refer to each and every point raised, but will focus my comments on the crux of the matter – the decisions to lend and whether NatWest knew – or ought to have known that Mr B didn't have capacity to make financial decisions.

NatWest has provided detailed information about the steps it took to assess Mr B's applications for the credit cards as well as his subsequent applications for the limit increases. It has shown that it took into account information Mr B gave it about his income and expenditure, as well as information recorded on his credit file and the performance of his existing cards with it.

The bank says the results of the checks revealed nothing of concern. It calculated that Mr B had more than sufficient disposable income to meet the repayments required on the cards at the limits agreed. His credit file revealed little outside debt, and what he did have was being managed in line with expectations. He was up to date with repayments to his cards with NatWest and his current account with it was very well run. So I think NatWest gathered enough information to constitute reasonable and proportionate checks in the circumstances.

That said, I note that in August 2022, Mr B had applied for and received, a credit limit increase on Card 1. Then in the following month, he applied for Card 2 and a limit increase on that, and the month after that, applied for Card 3 and a limit increase. It's not clear to me why NatWest wouldn't have thought that to be a little unusual and perhaps a sign of Mr B becoming hungry for credit. In my view, it would have been prudent for NatWest to make contact with him to carry out further checks to ensure he was not taking on more credit than he could reasonably afford.

I've thought about what NatWest is likely to have found had it carried out further checks. I've looked at Mr B's current account statements for the period from July 2021 (a few months before Card 1 was agreed up until early 2023) in order to gain an understanding of his financial situation at the time. Throughout that time, Mr B's account was consistently in credit with a minimum balance comfortably into four figures. The only time the account slipped below four figures was for three weeks in September 2022 after he'd transferred some money to another account in his name. Once his salary was received that month, his account balance reverted back to running four figures in credit.

I don't think this shows that Mr B was struggling with his repayments or is indicative of someone in financial difficulty. It also supports NatWest's calculations that he had sufficient disposable income to meet his financial obligations including those to the cards. It follows that even if NatWest had done some further checks, I think it is likely to have reached the same decision to lend to Mr B.

I've seen evidence that Mr B told NatWest about his mental health issues, and I acknowledge that he says he also told NatWest that he lacked the capacity to make decisions about his finances. Where there's a dispute about what's been said as in this case, I have to assess the matter on the balance of probabilities – that is what I think is most likely to have happened given the evidence available. Mr B says he told NatWest he lacked capacity in a phone call when he told it about his mental health issues. NatWest has provided notes to show his mental health issues were logged, but there is no mention of his lack of capacity to make financial decisions.

So I don't have any firm evidence that Mr B told NatWest he lacked capacity to make decisions. Had he done so, as it's a serious matter, I'd have expected the bank to make a note of that if it were discussed. I'd have expected NatWest to ask for details of any support he's receiving in that regard and also ask for evidence – perhaps a Power of Attorney or similar.

On balance I don't think I can reasonably conclude that NatWest was aware that Mr B lacked the capacity to be able to make the decisions he did when he applied for the credit cards and limit increases. That is not to doubt what Mr B has said, but I simply don't have enough evidence to make the finding that he did tell the bank.

As I've said, it is clear that Mr B made NatWest aware of his mental health issues, but I don't think that is enough for me to conclude that it shouldn't have lent to him. It would be neither fair nor reasonable for NatWest to refuse to lend to customers who suffer with their mental health.

I realise this will come as a disappointment to Mr B, but having considered all the evidence he and NatWest have provided, I think NatWest reached fair decisions to lend to him.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 October 2024.

Richard Hale
Ombudsman