

The complaint

Mrs B says Metro Bank PLC, trading as RateSetter, lent irresponsibly when providing her with a loan in 2023.

What happened

In April 2023, Metro loaned Mrs B £19,500 over a 60-month term. The purpose of the loan was to fund home improvements. The interest rate on the loan was an annual percentage rate (APR) of 7.94%. The monthly repayments were £392.29 and the total amount payable came to £23,537.40. The information Metro recorded at the time of her application showed, among other things, Mrs B had a net monthly income of around £1,700. There was no other household income as far as it was aware.

In 2023, Mrs B complained to Metro that it had lent to her irresponsibly since it ought to have checked and seen she was unable to afford the loan.

Metro responded that it wasn't upholding Mrs B's complaint. Metro said the loan application and credit check results were reviewed and accepted in line with its lending criteria.

Unhappy with Metro's response, Mrs B complained to this service. Our investigator looked into the complaint and recommended that it should be upheld. The investigator thought that Metro hadn't carried out the checks it should have done prior to making the lending decision. They felt that, if Metro had, it would have discovered that Mrs B wasn't in a financial position to sustainably afford the loan payments due to a lack of disposable income. The investigator asked Metro to put things right for Mrs B in line with our general approach to such cases.

Metro didn't agree with the investigator's assessment of the complaint. So, the complaint was referred to me to review afresh.

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 approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mrs B's complaint.

Having done so, I uphold the complaint. I'll explain why.

Metro doesn't dispute much of what the investigator found in their assessment. I confirm that I broadly agree with the investigator's findings on Metro's lending decision, and I'll briefly set out my view on the key points and on the issues Metro's specifically challenged. In summary:

- I'm satisfied that the lending rules and provisions at that time meant Metro needed to assess whether it felt Mrs B would be able to repay the credit, taking account of

factors such as her income and expenditure.

- I recognise Metro carried out some checks to satisfy itself that Mrs B would be able to repay the credit in a sustainable way.
- I don't doubt that the checks it carried out were consistent with its internal lending criteria. But, as I've alluded to, there were wider rules and provisions that also needed to be considered by Metro, irrespective of its own lending criteria.
- I don't believe the checks carried out went far enough given, among other things, the longer term of the loan and the total Mrs B needed to repay over that term. In short, it was clear this was a significant financial commitment for Mrs B.
- Although Metro held some information about Mrs B's expenditure, I believe it should have assessed this further to gain a better picture of her outgoings. Copy bank statements from the time indicate to me that she had very little disposable income – a little over £100 a month – once her regular expenditure was accounted for.
- This left Mrs B with very little, if any, money with which to sustainably repay the additional credit Metro offered her. She worked in retail and, understandably, her income fluctuated to an extent, as Metro's highlighted. But it never consistently reached an amount at any stage in the months prior to April 2023 to suggest the credit was affordable for her.

Taking everything into account, I can't see that Metro carried out proportionate checks that would have enabled it to make a reasonable assessment on affordability. Mrs B's circumstances in 2023 don't indicate to me that she was able to sustainably afford the credit. As such, Metro should put things right for her.

Putting things right

I think it's fair and reasonable for Mrs B to repay the principal amount that she borrowed, because she had the benefit of that lending. But she's paid interest and charges on the loan that shouldn't have been provided to her. So, I think Mrs B's lost out and that Metro should put things right for her. Metro should:

- a) Remove all interest, fees and charges applied to the loan from the outset. Any payments made by Mrs B should then be deducted from the new starting balance. If the payments Mrs B's made total more than the amount she was originally lent, then any surplus should be treated as overpayments and refunded to her with 8% simple annual interest† calculated on any overpayments made, from the date they were paid by Mrs B, to the date the complaint's settled.
- b) If there's still an outstanding balance on the loan, then Metro should agree an affordable repayment plan with Mrs B, bearing in mind the need to treat her positively and sympathetically in those discussions, and take account of her current ability to repay the loan.
- c) Remove any relevant adverse information recorded on Mrs B's credit file as a result of the lending.

† HM Revenue & Customs requires Metro to take off tax from this interest. Metro must give Mrs B a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given, I uphold this complaint. I require Metro Bank PLC, trading as RateSetter, to put things right for Mrs B as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or

reject my decision before 24 April 2024.

Nimish Patel
Ombudsman