

The complaint

Miss M complains National Westminster Bank Plc (NatWest) haven't acted in her best interests when helping her take out a credit card and a loan.

A representative has supported Miss M in bringing this complaint, but for simplicity I'll mainly refer to her in this decision.

What happened

I issued a provisional decision setting out what'd happened, and what I thought about that. I've copied the relevant elements of this below, and they form part of this final decision.

Miss M says between March 2020 and January 2023 NatWest's agent – who I'll refer to as NWS – coerced her into taking out a credit card and a loan. And, when taking out the loan, didn't use this to reduce the credit card balance or limit. Miss M did pay the loan amount of £2,000 off the credit card – but the limit wasn't reduced as she wanted.

Miss M has told us of the very serious impact this had on her health. I'm genuinely sorry to hear of this. I want her to know I've read everything she's told us carefully, but I've not listed the detail in this decision. That's because this decision is published on our website and I wouldn't want for Miss M to be potentially identifiable.

NatWest said after reviewing Miss M's loan application made on 13 January 2023, this was submitted online with no staff intervention. NatWest said Miss M declared her monthly income as £2,166 and their loan process is non-advised. In terms of the loan application it met their lending criteria, which is why they granted it. And once the loan funds are received, it's Miss M's responsibility to apply it to her credit card account. NatWest didn't address the issues regarding the credit card.

Unhappy with this Miss M asked us to look into things. She explained she'd done a Data Subject Access Request, but she said suspiciously the calls with NWS weren't included. Miss M said she was on the phone with NWS while she completed the questions online.

One of our Investigators considered things. When asking questions, he established NatWest were mistaken in their comment NWS hadn't helped Miss M – NatWest now accepted they had. But, overall, he didn't uphold Miss M's complaint.

Unhappy with this Miss M asked for matters to be reviewed, so the complaint's been passed to me to decide.

Before doing so, I asked for more information from both parties to help me reach an outcome. I've reflected the relevant evidence of that below.

What I've provisionally 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.

Having reviewed this case, I think there are three issues I need to address to provide a complete answer to this complaint:

- *Should Miss M have been granted the credit card*
- *Should Miss M have been granted the loan*
- *Has NWS acted fairly in handling matters for Miss M*

For the first two bullet points, I'll be deciding whether they fall into unaffordable and irresponsible lending. For the last bullet point I'll review all the evidence I have of NWS's conduct and whether that's led to any detriment to Miss M.

We've explained on our website how we handle complaints about unaffordable and irresponsible lending, and I've used this approach to help me decide Miss M's case. NatWest were required to make sure they didn't lend irresponsibly – which meant they had to gather details of Miss M's circumstances to ensure she could sustainably repay both the credit card and the loan.

This is called carrying out proportionate checks. Our website sets out what proportionate checks are – so I've looked at what information NatWest gathered to see if they carried out proportionate checks.

We generally say the higher the amount of borrowing, or the lower a borrower's salary, the more a lender needs to do to satisfy themselves they've gathered proportionate information. Equally, if the amount of borrowing is low, and the salary is high, then the less we'd say lenders need to do in order to show it didn't lend irresponsibly.

Should Miss M have been granted the credit card

Although Miss M says her lending on credit cards and loans started with NatWest in March 2020, the first evidence I have of her opening a credit card or loan is 25 May 2022. And this was her first credit card. NatWest have told us Miss M asked to increase her credit card limit on this card in December 2022 from £3,800 to £4,500. And they've told us Miss M took out another credit card in December 2023.

I won't be considering the December 2023 credit card – as that doesn't form part of this complaint.

I will though be looking at the credit card taken out in May 2022, and if needed the credit limit increase in December 2022.

NatWest have summarised Miss M's circumstances at the time of first taking out the credit card in May 2022 as follows:

- *Net monthly income of £1,869*
- *Deducted £1,004 housing costs*
- *Another £640 for living costs*

NatWest said this mean Miss M had £225 net available each month, and once they'd factored in £95 to afford the new credit limit of £3,800, this left her £130 her month. I think NatWest did proportionate checks, as they seem to have largely relied on what they were told by Miss M – and their system didn't come back with any messages that required them to look into things.

But, once NatWest had gathered all of the relevant information, they then had to make a fair lending decision – and I don't think they did.

The information they gathered showed Miss M only had £130 a month leftover after the credit card repayments. I do accept they were relatively small, but the majority of her income was already taken up, leaving her a very small amount left each month. So, I don't think NatWest should have granted this credit card. I'll explain how NatWest need to put things right towards the end of this decision.

Because I don't think the credit card itself should have been granted, I've not needed to look at the credit limit increase in December 2022 as the redress I set out at the end will address that.

*Should Miss M have been granted the loan
Miss M's loan was for £2,000 and based on the income declared by her when applying NatWest calculated she took home around £2,166 per month.*

This is a relatively small amount in relation to her income, so I wouldn't expect their checks to be extensive in the circumstances.

NatWest calculated Miss M as having the following monthly payments:

- *£1,146 housing payments*
- *£83 for credit card*
- *£799 living costs*

This left a disposable income figure of £138 a month, and once they took off the loan repayments of £58.54 it left Miss M with £80 a month.

Again, I think NatWest did proportionate checks, as they seem to have largely relied on what they were told by Miss M – and their system didn't come back with any messages that required them to look into things.

But, once NatWest had gathered all of the relevant information they then had to make a fair lending decision – and again I don't think they did.

The information they gathered showed Miss M only had £80 a month leftover after the loan repayments – so, again – I think this was too little and meant NatWest shouldn't have granted the loan.

Has NWS acted fairly in handling matters for Miss M

Although it's clear Miss M feels very strongly NWS hasn't treated her fairly, I've not been able to find any clear evidence of this.

We asked NWS's manager if there had ever been any complaints about pressure sales in the past – the manager said no. The manager added all the products can only be taken out by the customer themselves, albeit NWS could help answer questions as the customer went through the application.

When our Investigator asked Miss M to explain how NWS coerced her into taking out a credit card and loan Miss M has provided some details. She's talked about NWS being deceitful to get her commission. But, as I understand it, NWS didn't get any commission from being involved in the sale of these products – because they were done digitally online. I also

can't see how NWS would benefit from telling Miss M to keep her credit limit at what it was when the credit card account itself had already been taken out by Miss M.

NWS's manager gave some further information, saying Miss M booked herself several appointments across five different advisers between August 2022 and November 2022 – and they say that's how Miss M came to speak to NWS. It's unclear to me if this is accurate, as Miss M says NWS was the family's adviser.

But Miss M also says her and her family were suspicious of people in the bank because of previous bad experiences.

Given I wasn't present at any of these events, I can only base my thoughts on the evidence before me – and I've not found any clear evidence NWS has treated Miss M incorrectly or inappropriately at any point.

I am though of course incredibly sorry to hear of the impact the lending had on Miss M, and I hope she's feeling better now.

Responses to my provisional decision

NatWest said they agreed to my provisional decision and had nothing further to add.

Miss M's representative said:

- The loan in January 2023 was taken out with NWS helping over the phone
- Miss M did use the funds to clear some of the balance of the credit card, even though NWS gave bad advice and said no need to reduce the credit limit
- NatWest staff receive sale points for products they sell to customers, so there is an incentive to sell which encourages staff to mis-sell
- NWS is unethical and needs to be held accountable for the way she conducted herself

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.

Neither Miss M or her representative have made any comment about the elements of the complaint I've upheld – so I assume they've nothing further to add there.

In respect of their remaining concerns regarding NWS, none of the information Miss M's representative has replied with changes my thoughts. I've had testimony from NWS' manager that there have never been any complaints about NWS' sales practices. Nor did I find anything to suggest NWS has acted inappropriately or unfairly towards Miss M.

In the circumstances, I remain of the same opinion as I did from my provisional decision. I've set this out below.

Putting things right

I don't think NWS has acted unfairly, but I do think NatWest shouldn't have granted Miss M her credit card in May 2022 or her loan.

Credit card

- Rework Miss M's credit card to remove any interest and charges
- If this leaves an outstanding balance, then NatWest should work with Miss M to agree an appropriate repayment plan. Once the balance has been repaid, then any adverse information should be removed.
- If this means no balance is now due, then anything extra should be treated as overpayments and refunded to Miss M plus 8% simple interest* on the overpayments from the date they were made to the date of settlement. If no outstanding balance remains after the adjustments have been made, then NatWest should remove any adverse information recorded on Miss M's credit file.
- NatWest can discuss with Miss M about reducing the credit limit / closing down the account to ensure it remains affordable for Miss M going forward

Loan

- Rework the loan to remove any interest so only the amount borrowed is left to be repaid – then remove any payments Miss M made to the loan from this. If Miss M has then repaid the balance then anything extra should be treated as overpayments. Any overpayments should be refunded.
- Add interest at 8% per year simple* on overpayments, if any, Miss M made from the date she made them, to the date of settlement.
- Once the loan has been repaid, remove any adverse information from Miss M's credit file.

*HM Revenue and Customs requires NatWest to deduct tax from the interest payment referred to above. NatWest must give Miss M a certificate showing how much tax they've deducted if she asks them for one.

My final decision

I partially uphold this complaint and require National Westminster Bank Plc to carry out the actions in the 'Putting things right' section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 May 2024.

Jon Pearce
Ombudsman