

The complaint

Miss R complains that Metro Bank PLC trading as RateSetter (“Ratesetter”) irresponsibly gave her a fixed sum loan she couldn’t afford to repay.

What happened

In August 2022, Miss R applied for a fixed sum loan with RateSetter. She was given a loan for £7,000. The total repayable, including the loan fee and interest was £9,012. She was required to repay 60 monthly repayments of £150.22.

In September 2023, Miss R complained to RateSetter to say the loan should never have been provided to her. She said that appropriate affordability checks hadn’t been completed and if they had, RateSetter would have seen the loan was unaffordable to her given her level of borrowing and reliance on gambling.

RateSetter didn’t think it had acted unfairly when lending to Miss R.

In my provisional decision dated 5 April 2024, I explained why I wasn’t intending to uphold Miss R’s complaint. Essentially, I thought RateSetter had carried out reasonable and proportionate steps before agreeing to lend to Miss R.

I set out an extract below:

“RateSetter completed a credit check which showed that Miss R owed around £16,000 in debt, most of it being in loans. There were no significant indications of past repayment issues. RateSetter also says it used credit reference agency data to check Miss R’s declared income and this returned no concerns. It also estimated her disposable income, allowing for anticipated housing costs and other non-credit monthly expenditure. Based on that it calculated she would have around £900 in disposable income, out of which she would need to meet the loan repayments.

Having considered the checks RateSetter completed and what Miss R had declared about her circumstances, I think RateSetter completed proportionate affordability checks in this specific case. Having thought about what those checks showed, I’ve seen no reason to persuade me that RateSetter made an unfair lending decision. I say this because there were no signs of recent financial difficulty, she had a good income, and the purpose of the loan was to consolidate some of her existing debt, thereby reducing at least some of the interest she’d be paying.

Our investigator commented that RateSetter ought to have been prompted to carry out better checks because on her application she had only specified owing £6,000 in debt that she intended to consolidate. I’ve thought about whether the credit check showing she owed more than she stated on her application ought to have prompted additional checks. I’ve kept in mind that the credit search showed that the loan would still be affordable and that other recent borrowing looks to have been used to consolidate other debt – which might also potentially explain why she didn’t wish to consolidate them again. I can also see that even if

the new loan wasn't ultimately used for consolidation purposes, it looked likely to still be affordable for Miss R given her level of disposable income.

I would therefore say that RateSetter appeared to have little reason to make further enquiries into Miss R's expenditure at that time, based on the information it was provided with by her and also as a result of the information it had obtained from its own checks. And so, I wouldn't conclude that RateSetter was put on notice of any reason not to agree the lending from that.....

..... It follows that I'm not currently persuaded that, based on the information provided to RateSetter or what Ratesetter could see of Miss R's management of other credit, ought to have prompted it to have acted differently than it did. And so, having considered all the evidence and information in the complaint, I have currently seen insufficient evidence to think that the credit Ratesetter provided to Miss R was unreasonable."

Copies of my provisional decision have been sent to Miss R and Ratesetter but neither party has responded.

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.

Ratesetter will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Given that I've been given no further evidence or information to consider following my provisional decision being issued, my finding remains that Ratesetter acted fairly and reasonably in its decision to grant Miss R the loan. It therefore doesn't need to do anything more.

My final decision

For the reasons I've given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 20 May 2024.

Michael Goldberg

Ombudsman