

## **Complaint**

Mr J has complained about loans one of Metro Bank PLC's subsidiaries ("Ratesetter") arranged for him.

Metro Bank has accepted responsibility for this complaint even though the loans were arranged by Ratesetter in June 2017 and September 2019. So for ease of reference, I will refer to "Ratesetter" in this decision.

Mr J says that the loans that were arranged for him was unaffordable and therefore shouldn't have been provided.

## **Background**

In June 2017, Ratesetter operated the electronic platform in relation to lending which led to Mr J being provided with an initial loan for £270. This loan was arranged in order for Mr J to purchase goods, had a 12-month term and an APR of 9.9%. This meant that the total amount to be repaid of £284.04, which included a loan fee of £4.05 and interest of £9.99, was due to be repaid in 12 monthly instalments of £23.67.

Ratesetter operation of an electronic platform in relation to lending led to Mr J being provided with a second loan for £9,000.00, in September 2019,. This loan was for the purpose of debt consolidation, had a 60-month term and an APR of 13.9%. This meant that the total amount to be repaid of £12,319.80, which included a loan fee of £1,057.50 and interest of £2,262.30, was due to be repaid in 60 monthly instalments of £205.33.

One of our investigators reviewed what Mr J and Ratesetter had told us. And he thought that Ratesetter hadn't done anything wrong or treated Mr J unfairly when bringing about either of these loans for Mr J. So he didn't recommend that Mr J's complaint be upheld.

Mr J disagreed and asked for an ombudsman to look at his 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 Mr J's complaint.

Having carefully thought about everything, I've decided not to uphold Mr J's complaint. I'll explain why in a little more detail.

Ratesetter needed to make sure that it didn't bring about Mr J's loans irresponsibly. In practice, what this means is that Ratesetter needed to carry out proportionate checks to be able to understand whether Mr J could make his payments in a sustainable manner before approving his loans. And if the checks Ratesetter carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether checks were proportionate. Generally, we think it's reasonable for pre-lending checks to be less thorough – in terms of how much information is gathered and what is done to verify that information – in the early stages of a lending relationship.

But we might think a firm needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information it had – such as a significantly impaired credit history – suggested the firm needed to know more about a prospective borrower's ability to repay what they were being lent.

Ratesetter says it agreed to Mr J's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information from credit reference agencies on the amount of funds going into Mr J's main bank account each month. In its view, all of this information showed Mr J could comfortably make the repayments he was committing to.

On the other hand, Mr J has said he shouldn't have been lent to.

I've carefully thought about what Mr J and Ratesetter have said.

The first thing for me to say is that the June 2017 loan was Mr J's first loan with Ratesetter. The information provided does suggest Mr J was asked to provide some details regarding his income and expenditure and Ratesetter didn't just rely on what it was told as it carried out credit searches too. Mr J was going to be required to make low monthly payments over a short term. And as the information gathered suggested that the loan was affordable, I don't think that it was unreasonable for Ratesetter to proceed with approving Mr J's application.

Loan 2 was arranged more than 18 months after loan 1 had been repaid. So I don't think that Ratesetter needed to be concerned that Mr J was applying for loan 2 because of the effect that repaying loan 1 might have had on his finances.

Ratesetter has provided a copy of the credit search that it carried out and it's fair to say that Mr J's existing credit was relatively well managed. I'd also add that Mr J stated on his application that the purpose of this loan was debt consolidation. From what I can see, the funds from this loan were sufficient to have cleared all of Mr J's existing balances.

I accept that Mr J's actual circumstances may not have been fully reflected either in the information he provided, or the information Ratesetter obtained. For example, I know that Mr J says that his income was lower than was thought. However, Ratesetter could only make a reasonable decision based on the information it had available at the time. Ratesetter's cross-checking of Mr J's declaration of income suggested that it could confidently rely on this. And I don't think that it was unreasonable for Ratesetter to proceed on the basis of this information.

Furthermore, I'm satisfied that the proceeds of this loan could and should have been used to clear Mr J's existing balances. And I don't think it fair and reasonable to hold Ratesetter responsible should Mr J have decided against using this loan to repay his existing balances in the way that he committed to.

I say this as although this was Mr J's second Ratesetter loan, this was a first loan that Ratesetter was bringing about for consolidation purposes (loan 1 was provided to purchase an item) and there wasn't a history of Mr J obtaining funds and then failing to consolidate debts elsewhere in the way he committed to. So I'm satisfied that Ratesetter was reasonably

entitled to believe that Mr J would use the loan for the stated purpose and be left in a better position as a result.

I also think that it's important for me to explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I think that Ratesetter was entitled to rely on what it had been told and what it had found out.

As this is the case, I don't think that Ratesetter did anything wrong when bringing about loan 2 either - it carried out proportionate checks (although I accept Mr J doesn't agree with this) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having carefully considered everything, I don't think that Ratesetter treated Mr J unfairly or unreasonably when bringing about either of his loans. And I'm not upholding Mr J's complaint. I appreciate this will be very disappointing for Mr J. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 24 May 2024.

Jeshen Narayanan  
**Ombudsman**