

Complaint

Mrs G has complained about a loan Metro Bank PLC's subsidiaries ("Ratesetter") arranged for her.

Metro Bank has accepted responsibility for this complaint even though it was arranged by Ratesetter in 2019. So for ease of reference, I will refer to "Ratesetter" in this decision.

Mrs G says that the loan that was arranged for her was unaffordable and therefore shouldn't have been arranged for her.

Background

In May 2019, Ratesetter operated the electronic platform in relation to lending which led to Mrs G being provided with a loan for £5,965.00. This loan had a 36-month term and an APR of 17.9%. This meant that the total amount to be repaid of £7,615.08, which included a loan fee of £375.19 and interest of £1,274.89, was due to be repaid in 36 monthly instalments of £211.53.

One of our investigators reviewed what Mrs G and Ratesetter had told us. And she thought that Ratesetter hadn't done anything wrong or treated Mrs G unfairly when bringing about this loan for Mrs G. So she didn't recommend that Mrs G's complaint be upheld.

Mrs G disagreed with our investigator's assessment and asked for an ombudsman to look at her 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 Mrs G's complaint.

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

Ratesetter needed to make sure that it didn't bring about Mrs G's loan irresponsibly. In practice, what this means is that Ratesetter needed to carry out proportionate checks to be able to understand whether Mrs G could make her payments in a sustainable manner before approving her loan. 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.

Having carefully thought about everything I've been provided with, I'm not upholding Mrs G's complaint. I'd like to explain why in a little more detail.

Ratesetter says it agreed to Mrs G's application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Mrs G could comfortably make the repayments she was committing to. On the other hand, Mrs G has said she shouldn't have been lent to.

I've carefully thought about what Mrs G and Ratesetter have said.

The first thing for me to say is that this was Mrs G's first loan with Ratesetter. The information provided does suggest Mrs G was asked to provide some details regarding her income and expenditure and Ratesetter didn't just rely on what it was told as it carried out credit searches too.

Ratesetter has provided a copy of the credit search that it carried out and it's fair to say that Mrs G's existing credit was relatively well managed. She didn't appear to have many recent late or missed payments and she was using less than half of the available credit available to her on her revolving credit accounts.

And while I accept that Mrs G might have used payday loans the credit search showed that this was historic as it was some four years prior to this application. I'm also satisfied that it is more likely than not that Ratesetter wasn't aware of any recent difficulties with credit or over indebtedness on the part of Mrs G as nothing like this appears to be reflected in the interest rate Mrs G received on this loan.

Furthermore, the information from the time shows that Mrs G's selected loan purpose was debt consolidation. I don't know whether Mrs G did go on to consolidate some of her existing debts with the funds from this loan as she said she would do. But I think that it was reasonable for Ratesetter to reach the conclusion that Mrs G could consolidate her existing debt with these funds.

Equally, Ratesetter could only make a reasonable decision based on the information it had available at the time. It won't have known whether Mrs G would actually pay off her existing balances – all it could do was take reasonable steps and rely on assurances from Mrs G that this would be done with the funds from this loan.

So I'm satisfied that the proceeds of this loan could and should have been used to reduce some of the existing balances which showed on the credit search Ratesetter carried out on Mrs G. And the interest rate is likely to have been lower than the interest rate on some of Mrs G's existing credit – such as her credit card debt.

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 about Mrs G.

As this is the case, I don't think that Ratesetter did anything wrong when bringing about Mrs G's loan - it carried out proportionate checks (although I accept Mrs G 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 Mrs G unfairly or unreasonably when bringing about her loan. And I'm not upholding Mrs G's complaint. I appreciate this will be very disappointing for Mrs G. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mrs G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 27 May 2024.

Jeshen Narayanan
Ombudsman