

The complaint

Mr and Mrs E complain that TSB Bank plc lent irresponsibly when it approved their overdraft application.

What happened

Mr and Mrs E have a joint account with TSB. In May 2018, they applied for an overdraft facility. TSB says it carried out the relevant lending checks and approved an overdraft with a limit of £1,000. Mr E also has a current account in his sole name that had an overdraft facility at the time.

Last year, Mr and Mrs E complained that TSB lent irresponsibly when it approved their overdraft applications on both Mr E's sole account and their joint account. TSB issued a final response on 5 August 2023. TSB said it had taken factors like income and outgoings, employment and residential status into account. In addition, TSB said it had checked Mr and Mrs E's credit files and looked at how they'd managed their existing accounts. TSB confirmed it approved an overdraft facility of £1,000 in line with its lending criteria and didn't uphold Mr and Mrs E's complaint.

Mr and Mrs E referred their complaints about the overdraft facilities to this service. Due to the way we consider complaints, the sole account complaint Mr E made was split off and will be dealt with under a separate reference.

An investigator considered Mr and Mrs E's complaint about the decision to approve the overdraft for the joint account. TSB was only able to provide basic information concerning the lending checks it had completed in May 2018. So the investigator reviewed Mr and Mrs E's bank statements to get a better picture of their circumstances in May 2018. The investigator thought Mr and Mrs E had sufficient income to be able to afford an overdraft facility of £1,000 and didn't uphold their complaint.

Mr and Mrs E asked to appeal and said Mr E already had an overdraft facility of £5,000 on his sole account at the time. Mr and Mrs E said their income was already being used to the point they were unable to repay the new overdraft facility. As Mr and Mrs E asked to appeal, their complaint has been passed to me to make a decision.

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.

Before agreeing to lend, the rules say TSB had to complete reasonable and proportionate checks to ensure Mr and Mrs E could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;

- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

As our investigator noted, TSB hasn't provided detailed information showing the specific checks it completed. But TSB has sent us copies of the applications Mr and Mrs E made that shows their income was taken into account. And whilst TSB hasn't been able to provide evidence of what it found on Mr and Mrs E's credit files, I'm satisfied it would've carried out a credit check as part of the application process as claimed. With that said, I note that Mr E has a sole account and applied for an overdraft increase from £2,500 to £5,000 less than a month before the joint overdraft application was made. So I'd have expected TSB to be sure further repayments were affordable.

In the absence of other evidence, I've looked at the available bank statements for both Mr and Mrs E's joint account and Mr E's sole account to get a picture of their income and outgoings. Mr and Mrs E sent us a copy of their 2017 and 2018 bank statement for the joint account and Mr E's sole account. For the purposes of this decision, I've focused on the statements issued in January, February and March 2018.

It's clear the joint account was primarily used for paying bills with regular transfers being made into it each month from Mr and Mrs E. And Mr E's sole account was being used to receive his salary payments, cover his sole commitments and pay for day to day spending. Taking an average, I found around £3,300 each month in regular direct debits and payments for charges across both accounts.

Mr E's statements show he was earning £3,570 in January and February 2018 and I can see he was paid £10,811 in March 2023. I've taken the £3,570 figure as Mr E's regular income. Whilst I haven't seen Mrs E's sole account, I can see she was paying £1,000 each month into the joint account with TSB. So I'm satisfied Mr and Mrs E had a regular income of at least £4,570. When compared to regular outgoings I was able to see of £3,300. That would've left around £1,200 for day to day spending and living costs.

In my view, Mr and Mrs E's bank statements show there was capacity for them to afford an overdraft of £1,000 on their joint account with TSB. I'm very sorry to disappoint Mr and Mrs E but I haven't found grounds to uphold their complaint on the basis that TSB lent irresponsibly.

My final decision

My decision is that I don't uphold Mr and Mrs E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs E to accept or reject my decision before 4 June 2024.

Marco Manente
Ombudsman