

## **The complaint**

Mr P says National Westminster Bank Plc irresponsibly lent to him.

## **What happened**

Mr P took out a loan on 19 September 2023 for £3,000 over 24 months. The monthly repayments were £162.40 and the total repayable was £3,897.60.

Mr P says the loan was unaffordable for him, he had recently taken out a number of payday loans that he wasn't able to repay. He also had an active direct debit on his NatWest current account with StepChange debt charity at the time of taking out the loan. He had missed multiple payments on another account since June 2023. In addition to this, he spoke to NatWest previously about the need for blocking gambling transactions with his debit card due to a gambling addiction. If NatWest had conducted satisfactory checks, they would've realised that the loan was unaffordable and not lent the money.

NatWest says it carried out proportionate checks that showed the loan would be affordable for Mr P.

Our investigator did not uphold Mr P's complaint. She said NatWest's checks were proportionate and did not show any signs the loan would be unaffordable for Mr P.

Mr P disagreed with this assessment and asked for an ombudsman's review. In summary, he said his credit file shows he was struggling to manage his money. The fact he was making payments to StepChange ought to have been a red flag – he was in a debt management plan for two payday loans. And NatWest was aware of his gambling addiction as he had asked for a block on gambling transactions earlier that year.

## **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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as NatWest, need to abide by. NatWest will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, NatWest needed to check that Mr P could afford to meet his repayments out of his usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences.

The checks NatWest carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Mr P's particular circumstances. The overarching requirement was that NatWest needed to pay due regard to Mr P's interests and treat him fairly.

With this in mind, my main considerations are did NatWest complete reasonable and proportionate checks when assessing Mr P's loan application to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did NatWest make a fair lending decision?

I have reviewed the checks NatWest carried out. It asked Mr P for his income and validated this against the average credit turnover through his NatWest current account - taking the latest six months turnover, removing the highest and lowest values and using an average of the remaining four months. It asked about his housing and living costs, compared these to averages, and carried out a credit check to understand his existing credit commitments and credit history. It asked about the purpose of the loan which was debt consolidation.

I think these checks were proportionate given the value and term of the loan, the stated purpose and the cost of the monthly repayments relative to Mr P's income.

So I have turned to look at whether NatWest made a fair lending decision based on the results of its checks. They showed Mr P had a monthly net income of £1,555; living expenses of £694; housing costs of £228 and was making repayments of £99 to a loan and of £58 on a credit card. This left him with £476 disposable income.

NatWest can't share the result of its credit check as it was automated and used to generate a credit score for Mr P, but it has confirmed there was no adverse data such as CCJs or defaults on Mr P's check. The amount he was spending on credit each month was not at such a level that I think NatWest ought to have been concerned, and nor would taking on this loan increase that to a worrying level.

As Mr P banked with NatWest it had sight of his current account, though there were frequent transfers in and out to other accounts in his name so his financial position was not wholly clear. But I cannot see from the three months before this loan that there were clear signs of financial difficulties as he describes. For example, he was not persistently reliant on an overdraft facility and there were no returned direct debits. I can see he took out a payday loan in early June, but there is no evidence he was reliant on payday loans (based on this account). Given the results of all NatWest's checks combined, I would not say this sole high-cost loan was a reason not to lend – particularly as the purpose of this much cheaper loan was debt consolidation.

Mr P has raised that he had two payday loans in a debt management plan, and that as a payment to StepChange had debited his account that should have been a red flag. He has also flagged refunds that were from a gambling company - but there were no recent debits to gambling companies from this account as he had requested a block earlier in the year. However, I do not find it would have been proportionate in this case for NatWest to analyse Mr P's transactions on an individual line-item basis.

I am not saying I doubt Mr P's testimony that he was already struggling financially and so could not afford this loan. But, based on the value and term of this loan and its monthly repayments relative to his verified income, it would not have been proportionate for NatWest to do the level of checks needed to possibly discover this.

So I don't find NatWest was wrong to lend to Mr P.

### **My final decision**

I am not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 June 2024.

Rebecca Connelley  
**Ombudsman**