

The complaint

Mr C, through a representative, says The Royal Bank of Scotland Plc (RBS) irresponsibly lent to him.

What happened

In March 2023 RBS approved Mr C's loan application. It agreed to lend him £5,000 over 12 months. The monthly repayments were £476.82 and the total repayable was £5,721.84.

Mr C says the checks RBS did were not adequate and it ought to have done more prior to lending.

RBS says its checks showed Mr C met its lending and affordability criteria.

Our investigator did not uphold Mr C's complaint. He said RBS carried out proportionate checks and made a fair lending decision based on the results.

Unhappy with this assessment Mr C asked for an ombudsman's review. He said the checks were not proportionate as in the six months before applying he had taken out seven other loans and 15 cash advances, and made 16 late payments. And there was other adverse history on his credit file. RBS should have carried out additional checks, such as reviewing Mr C's bank statements.

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.

Where the evidence is incomplete (as some of it is here) I have reached my decision based on the balance of probabilities. That is, based on the available evidence and the wider circumstances.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Mr C's complaint.

Having done so, I've decided not to uphold the complaint. I'll explain why.

There are several questions that I've thought about when deciding if RBS treated Mr C fairly and reasonably when it provided him with the loan. These include:

- 1) Did RBS complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the loan in a sustainable way?
- 2) If not, what would reasonable and proportionate checks have shown at the time?
- 3) Ultimately, did RBS make a fair lending decision?
- 4) Did RBS act unfairly or unreasonably in some other way?

I can see that RBS considered certain information before deciding to lend. It asked about Mr C's net income (£3,300), whether he had a mortgage (no), and the purpose of the loan (home improvements). As Mr C's primary bank account was not at RBS it asked for payslips to evidence his declared income. It says it used national statistics to estimate his living costs but it hasn't shared the exact figures. It carried out a credit check to understand Mr C's existing credit commitments (£806 a month) and it reviewed certain information on his credit file to derive a credit score. From these checks combined RBS concluded Mr C had the disposable income to afford the loan, and that he met its lending criteria.

I think these checks were proportionate in the circumstances of this case given the term of the loan and Mr C's verified income. And I think RBS made a fair lending decision based on the information it gathered. As I've said I don't have the exact figures it allocated for all of his expenditure, but I can see it knew he would have £2,494 a month after making his existing credit repayments. So I think, on balance, it is reasonable to conclude he could afford to take on this loan and still cover his essential outgoings.

Mr C argues that his credit file would have showed he was struggling financially. But from the available evidence RBS shared I can't see its checks returned such information. It can be that a complainant will see different information on their full credit file to the extract the lender sees for a number of reasons – not all lenders report to all the agencies and there can be timing lags. From the information he has shared with this service I can see Mr C had £6,465 debt at the time. So he would not have seemed over-indebted, meaning I think it was reasonable RBS did not carry out a fuller financial review after its credit check. In addition £4,078 of that debt was a loan taken out on the same day, so most likely not something RBS would have had sight of.

It follows I don't think RBS was wrong to lend to Mr C.

Did RBS act unfairly or unreasonably in some other way?

I've also considered whether RBS acted unfairly or unreasonably in some other way given what Mr C complained about, including whether its relationship with him might have been unfair under section 140A Consumer Credit Act 1974.

However, for the same reasons I've set out above, I've not seen anything that makes me think this was likely to have been the case.

My final decision

I am not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 8 July 2024.

Rebecca Connelley
Ombudsman