

The complaint

Ms H, through a representative, says Metro Bank PLC (trading as RateSetter) irresponsibly lent to her.

What happened

Ms H took out a loan for £6,000 with a £720 fee over 48 months from RateSetter on 3 June 2019. She settled it in full early on 31 July 2019.

Ms H says RateSetter failed to conduct proportionate checks and could have done more prior to lending.

RateSetter says it carried out adequate checks and Ms H's application met all its lending requirements.

Our investigator did not uphold Ms H's complaint. She said RateSetter's checks were not proportionate but it could have made the same lending decision had it completed better checks.

Ms H disagreed. She detailed her expenditure for the three months prior to lending to show she did not have the disposable income to afford the loan.

I reached the same conclusion as the investigator but based on different findings, so I issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments by 5 June 2024.

Extract from my provisional decision

I have reviewed the checks RateSetter carried out. It asked Ms H for her income (£1,966.32). It asked about her housing costs (£578). It carried out a credit check to understand her existing borrowings (£8,078) and repayment history. It asked about the purpose of the loan which was debt consolidation. It then worked out that taking on this loan would leave Ms H with a surplus of £650.76 per month and so she could afford this loan.

I am not persuaded these checks were proportionate as I cannot see RateSetter verified Ms H's income. And as it knows regulatory guidance sets out that it is not generally sufficient to rely solely on an applicant's statement of income. Given the value of this loan, I find Ms H's income ought to have been verified. I also think RateSetter needed to consider Ms H's essential living costs – using either national statistics or by asking Ms H for a figure.

I have therefore considered what the results of these better checks would have been and how they ought to have affected RateSetter's lending decision.

Ms H's actual average monthly income in the three months prior to lending was £1,880.20. She had declared her rent was £578. She needed to spend £455.88 on credit each month (assuming a 5% repayment rate on her revolving debt). The repayment for this loan was £169.28. This means after better checks RateSetter would have understood Ms H had

£677.04 each month to cover her living costs. I think this is reasonable, particularly as it is before taking into account that the purpose of this loan was debt consolidation.

In addition RateSetter could see from its credit check that Ms H was managing her existing credit well and there was no adverse information recorded on her file – there had been one late payment on a telecoms account but that had been brought up-to-date. She was not using payday loans and her credit utilisation was not concerning at 64%.

Ms H submitted a detailed income and expenditure analysis based on her bank statements, but I do not find it would have been proportionate for RateSetter to carry out this level of review, given her credit history and the size of the monthly repayment of this loan relative to her income.

So in the round, had RateSetter completed proportionate checks I find it could fairly have made the same lending decision.

Ms H did not send any comments in response to my provisional decision. RateSetter said it had no additional information to provide.

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 RateSetter, need to abide by. Our approach to this type of lending is set out on our website and I followed it here.

As neither party sent any comments or new information in response to my provisional decision I have no reason to change the findings or conclusion I reached.

So for the reasons set out above I do not find RateSetter was wrong to lend to Ms H.

My final decision

I am not upholding Ms H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 4 July 2024.

Rebecca Connelley
Ombudsman