

The complaint

Miss B complains that National Westminster Bank Plc irresponsibly lent to her.

What happened

Miss B was approved for a NatWest credit card in October 2022 with a credit limit of £5,250, (which I will refer to as A in this decision). She was approved for another credit card with NatWest in May 2023 with a credit limit of £3,100 (which I will refer to as B in this decision). Miss B says that NatWest irresponsibly lent to her. Miss B made a complaint to NatWest.

NatWest did not uphold Miss B's complaint. They said their records showed that the income Miss B declared generally met or was exceeded by the actual credit turnover through her accounts and that the actual credit turnover alone would have been more than sufficient to support borrowing of this scale in terms of the monthly commitment for the maintenance of the credit cards. Miss B brought her complaint to our service.

Our investigator partially upheld Miss B's complaint. He said that he didn't feel that A was sustainable for Miss B at the time she was approved for the card. But he thought B was lent responsibly.

NatWest agreed with the view of the investigator. Miss B asked for an ombudsman to review her complaint. She said it didn't make much sense for B to be seen as affordable when the payments she was making on A were unaffordable. She said there was no prospect of her clearing B by the time her promotional 0% offer ended.

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.

Miss B has brought complaints to our service about her overdraft and personal loans that NatWest approved for her in addition to this complaint. But this decision will only be focusing on the credit cards that NatWest approved for Miss B.

Acceptance for A

As NatWest have accepted our investigator's view that A was irresponsibly lent to Miss B, then I'll focus this decision on the outstanding issue of B.

Acceptance for B

I must make Miss B aware that although A was deemed to be irresponsibly lent to her, this doesn't automatically make all future lending decisions irresponsible. This is because there are a number of factors which can change between lending decisions.

Before agreeing to approve or increase the credit available to Miss B, NatWest needed to make proportionate checks to determine whether the credit was affordable and sustainable

for her. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks NatWest have done and whether I'm persuaded these checks were proportionate.

I've looked at what checks NatWest said they did when initially approving Miss B's application for B. NatWest said they looked at information from the Credit Reference Agencies, how accounts were managed with themselves prior to the application of B, and information Miss B included on her application before approving her application.

I'm satisfied the checks NatWest carried out here were proportionate. I say this as the information showed that Miss B's net income had slightly increased from £2,500 a month since A was approved, to £2,700 a month prior to B being approved. NatWest used Office of National Statistics (ONS) to calculate outgoings for Miss B including living costs, housing costs, and loan repayments. This is an accepted industry wide method of calculating outgoings.

The calculations showed that if NatWest approved Miss B for the £3,100 credit limit for B, and she repaid £109 a month, she would still have £196 a month disposable income after all of her other outgoings.

But that's not all NatWest's checks showed. They showed that Miss B had total unsecured lending of £29,800 at the time B was approved. This was around 92% of Miss B's net annual income, which is fairly high. And NatWest had approved a personal loan of £13,550 for her on the same day that B was approved.

The data from the credit reference agencies does appear to show that Miss B had either missed a payment, or she was late with a payment on one of her accounts within the three months prior to B being approved. This could indicate she had recent financial difficulties prior to B being approved, but it also could have been an oversight from Miss B.

So I would expect NatWest to make further proportionate checks to ensure the lending was affordable for Miss B. As Miss B banks with NatWest, they would have access to her bank statements, so they would be able to see how Miss B managed this account, and if this showed she was having any financial difficulties.

I've reviewed Miss B's bank statements for the three months prior to B being approved. For all three months, her bank statement shows higher credits to her account than the £2,700 she declared as part of her application (usually at least 20% higher). So it appears that Miss B could have more affordability than even NatWest had calculated.

Miss B's statement also shows that the personal loan she was approved for of £13,550 did not fully credit her account. I can see that £4,006.40 credited her account. It appears that the rest of the loan was used to settle a different NatWest personal loan she had, which would mean the previous loan monthly payment would cease.

Although there are times where Miss B is overdrawn, her bank statements also show times where she is in credit, sometimes by four figures (albeit this isn't for prolonged periods of time). There also doesn't seem to be any defaults or County Court Judgement's showing on Miss B's credit file), and Miss B was not in arrears on A at the time B was approved.

I've considered what Miss B has said about there being no prospect of her clearing B by the time her promotional 0% offer ended. But it would be Miss B's choice to pay only the minimum monthly repayment. NatWest's calculations for her repayments factored in higher

payments than the monthly minimum amount. And Miss B may have been able to pay more than this based on the increased income her bank account statements showed over and above what she had declared to NatWest.

Miss B also completed a balance transfer, and she was paying 0% interest on this, so she may have also had more affordability to make repayments as a result of her not needing to pay interest during the promotional period. So based on all of the information NatWest had prior to approving B, I can't conclude they made an unfair lending decision to approve Miss B for B.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed at the end of this decision results in fair compensation for Miss B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Our investigator has suggested that for A only, NatWest should rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied, and if the rework results in a credit balance, this should be refunded to Miss B along with 8% simple interest per year with NatWest removing all adverse information regarding this account from Miss B's credit file. Or if after the rework there is still an outstanding balance, NatWest should arrange an affordable repayment plan with Miss B for the remaining amount, and once Miss B has cleared the balance, any adverse information in relation to the account should be removed from her credit file, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint in part. National Westminster Bank Plc should take the following actions on A only:

Rework the account removing all interest, fees, charges, and insurances (not already refunded) that have been applied;

If the rework results in a credit balance, this should be refunded to Miss B along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NatWest should also remove all adverse information regarding this account from her credit file;

Or, if after the rework there is still an outstanding balance, NatWest should arrange an affordable repayment plan with Miss B for the remaining amount. Once Miss B has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*If NatWest consider that they are required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss B how much they've taken off. They should also give Miss B a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 29 August 2024.

Gregory Sloanes
Ombudsman