

Complaint

Mr F has complained about a personal loan National Westminster Bank Plc (“NatWest”) provided to him. He says that he was granted an unaffordable loan.

Background

NatWest provided Mr F with a loan for £9,000.00 in May 2023. This loan had a term of 63 months with Mr F not having to make any repayments for the first three months. And the total amount to be repaid of £17,470.53, which included interest, fees and total charges of £8,470.53 was due to be repaid in around 60 or so monthly instalments of £288.35.

One of our investigators reviewed what Mr F and NatWest had told us. And she thought that NatWest hadn’t done anything wrong or treated Mr F unfairly. So she didn’t recommend that Mr F’s complaint be upheld.

Mr F disagreed and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr F’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr F’s complaint. I’ll explain why in a little more detail.

NatWest needed to make sure that it didn’t lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to have a reasonable understanding of whether Mr F could afford to make his monthly repayments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

NatWest says it agreed to Mr F’s application after he provided details of his monthly income which it appears to have cross checked against information obtained from credit reference agencies on the amount of funds going into Mr F’s account each month. It says it also carried out a credit check to assess Mr F’s existing indebtedness.

In its view, all of this information showed Mr F could afford to make the repayments he was committing to. On the other hand, Mr F has said he should never have been provided with this loan because of his existing financial position.

I've carefully thought about what Mr F and NatWest have said.

The first thing for me to say is that NatWest asked Mr F for details about his income and cross-checked this against information on the funds going into Mr F's bank account. Mr F says that the funds going into his account wasn't income but a loan. But I don't see how NatWest could have known this – particularly as Mr F declared he was receiving an income and the payments don't appear to have been one offs. I'm therefore satisfied that NatWest was entitled to rely on Mr F's declaration.

NatWest also carried out a credit check to assess Mr F's indebtedness. NatWest's credit searches did show that Mr F had some existing debts but that these weren't excessive. I understand that Mr F had no recent significant adverse credit information – such as defaulted account or county court judgments – recorded against him either.

It could reasonably be argued that bearing in mind what NatWest saw the checks it carried out did go far enough and the information suggested that the payments were affordable. In any event, even if a conclusion that it had to do more is reached, at the absolute most, it could be argued that NatWest ought to have had a reasonable understanding about Mr F's regular living expenses as well as his income and existing credit commitments.

However, the information I've seen in Mr F's statements does appear to show that when his committed regular living expenses and his existing credit commitments were deducted from his monthly income, he did have the funds, at the time at least, to sustainably make the repayments for this loan. So I don't think that NatWest could reasonably be expected to have known that the payments to this loan were unaffordable.

It's only fair and reasonable for me to uphold a complaint in circumstances where a lender did something wrong. And while I do sympathise with the fact that Mr F has gone on to have difficulties making his payments, I don't think that NatWest could reasonably be expected to have known this would happen.

I've also thought about what happened when Mr F began having difficulties making the payments to his loan. Having reviewed NatWest's records of contact with Mr F, I can see that Mr F got in contact to explain that he had he was having difficulty making his payments due to a funeral. I can also see that Mr F was granted a payment break as a result of this and directed to third-parties that might be able to provide him with advice.

I know that a third party then got in contact with NatWest in April 2024. However, as an agreement hasn't been reached and Mr F appears to have ceased all contact with NatWest, I don't think that it was unreasonable for NatWest to have issued a default notice when it did in August 2024 – after all I don't think that it would be reasonable for NatWest to ignore Mr F's non-payment or ability to set up a repayment plan indefinitely.

Therefore, I don't think that NatWest acted unfair or unreasonably, in relation to responding to Mr F's payment difficulties, and I would encourage Mr F to get in contact with NatWest to discuss the matter.

In reaching my conclusions, I've also considered whether the lending relationship between NatWest and Mr F might have been unfair to Mr F under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think NatWest irresponsibly lent to Mr F or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Bearing in mind all of this, I'm not upholding Mr F's complaint. I appreciate this will be very disappointing for Mr F. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr F's complaint, nonetheless I would like to remind NatWest of its continuing obligation to exercise forbearance and due consideration. I would also encourage Mr F to get in contact with and co-operate with any steps that may be needed to review what he might be able to repay. For example, completing any income and expenditure forms sent. I don't think that it is unreasonable to expect him to complete and return such documentation to NatWest.

My final decision

For the reasons I've explained, I'm not upholding Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 30 October 2024.

Jeshen Narayanan
Ombudsman