

## **The complaint**

Mr A, through his representative, complains that National Westminster Bank Plc approved a credit card for him in August 2022 with a credit limit of £7,350 which he says he could not afford.

## **What happened**

Mr A's representative sent to NatWest its letter of complaint in March 2024. It responded and gave reasons why it did not uphold Mr A's complaint. Mr A's representative referred it to the Financial Ombudsman Service where one of our investigators considered it. He did not think that there was evidence of irresponsible lending by NatWest and so his view was that the complaint was not upheld. Mr A's representative disagreed and referred to the bank account statements it had sent to us saying that they showed Mr A's deficit. So, the card ought never to have been approved.

The unresolved complaint was referred to me for a decision.

After I had reviewed the complaint I asked Mr A's representative, twice, to send me more information but nothing has been received. Mr A's representative was informed that I'd proceed to decision on the evidence I have so far if it failed to send the information to me. So, I have issued my decision.

## **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.

NatWest says Mr A would have been provided with the card initially based on the fact that it received no internal policy warnings being triggered, and after the credit score and income assessment had been assessed. The expenditure in the affordability calculation for the card came from what was entered onto the application but also from credit reference bureaus. NatWest had access to credit information, which showed Mr A's external debt, and some information on his expenditure.

In its view, the information obtained indicated that Mr A's existing debts and the account he already had with it were being reasonably managed and so the card was approved. No credit limit increases were offered. On the other hand, Mr A says that the card approval shouldn't have been done. I've considered what the parties have said.

What's important to note is that Mr A was provided with the card account to a revolving credit facility rather than a loan. And this means that NatWest was required to understand whether the credit limit of £7,350 could be repaid within a reasonable period, rather than all in one go.

A credit limit of £7,350 didn't require huge monthly payments to clear the full amount owed within a reasonable period. I say this particularly as a reasonable period, in these circumstances, is likely to equate to the cost of having a loan term for an equivalent loan amount. And I have used the Financial Conduct Authority (FCA) CONC guide to assist me in coming to these conclusions. Extracts from these are set out here:

CONC 5.2A.28 G

*A Firm must 'have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. ...'*

CONC 6.7.33 G suggests that such a term would usually be between three and four years.

An example is that £7,350 over say an equivalent loan term of say 36 months would equate to around £254 a month including some interest. This is a rough calculation and not intended to be an accurate figure – it's a guide to help me when making my decision. I have kept these FCA guidance paragraphs in mind when considering the complaint.

NatWest cannot provide the application form itself that Mr A completed. This is unfortunate but it has told me some of the details it had from Mr A. NatWest knew that Mr A was self-employed and he had declared that he earned around £3,500 a month. He had told it that he was single, renting and had no dependents.

Mr A already had a current account with NatWest. I know this from two sources: the personal credit file sent to us from Mr A's representative dated February 2024; and NatWest has forwarded to us transaction lists for all of 2022 from that account ending \*5197. I have reviewed those transaction lists. I have seen that in July 2022 and up to 22 August 2022 Mr A received £1,450 into the account and paid out just over £530. The account was in credit. But I accept that this account alone would not have shown the full financial picture for Mr A as there's little in relation to bills and outgoings.

NatWest has sent to us the credit search it carried out before approving the card and it knew that Mr A did not have a great deal of other credit. It did know of the £25,000 loan opened within three months of the card application from that credit search result and I have seen that entry. It knew that Mr A's total debt (including the new loan) was £28,900. There were no indications of any defaulted or delinquent accounts. There were no entries surrounding insolvencies.

Added to which, NatWest has explained that it used Office of National Statistics (ONS) data to establish his living costs and housing costs (£913 and £640 a month respectively) and it factored in the £790 a month for the new loan plus £145 a month to cover modest other credit card debts. This led it to a figure of £2,488 so NatWest, using the declared income figure of £3,500, had calculated he had £1,012 a month left to cover the new card and other expenditure.

I consider the use of ONS data for the expenditure figures fair and reasonable and in line with the regulatory requirements considering the information NatWest knew and had been told about Mr A. It had calculated that its minimum repay on the card was around £257 which is a similar figure to that which I roughly calculated earlier in this decision. So, the new card with that credit limit looked affordable.

However, the transaction list for the NatWest current account does not show an adequate enough picture of the income Mr A was receiving. NatWest appears to have sent those transaction lists to us to demonstrate it had checked that part of Mr A's financial circumstances. But the income and outgoings in that account transaction list were not complete and on their own do not demonstrate the £3,500 income he had declared. And so, I agree with our investigator, NatWest ought to have discovered more before approving the card.

Our investigator was not able to obtain all the information he needed to satisfy himself about the source of the expenditure figures NatWest had used. So he felt that he needed to look to see what NatWest would have discovered if it had asked for additional information about Mr A's finances. Our investigator looked at a different set of bank statements provided to him by Mr A. These were for a different bank and the account number ended \*7560.

Mr A's representative has said that the average income and outgoings ought to have been used across the four months of bank statements leading up to the August 2022 card approval. But it seems only to have factored in the one bank account. I have the benefit of

seeing the transaction lists for both the NatWest account and for the bank statements Mr A has sent to us. Looking at them together I consider that Mr A had enough to be able to afford the repayment of the credit card over a reasonable period. I have addressed that element by relying on FCA guidance. And even allowing for the expected monthly repayments – howsoever those monthly payments are calculated – to be higher than the £257 NatWest allowed for, still I consider that Mr A would have been able to afford the card.

I have seen from Mr A's personal credit file that he had two other current accounts – one with a Building Society which had an overdraft facility on it and the other with a third bank. Neither of these sets of bank statements have been provided to us and Mr A's representative would have been aware of these as it supplied the personal credit file to us and yet has not supplied these details to us.

I do not consider I need to see them as I am satisfied that Mr A was able to afford this card from NatWest when he applied for it. I do not uphold Mr A's complaint.

Did NewDay act unfairly or unreasonably in some other way?

I've also considered whether NewDay acted unfairly or unreasonably in any other way and I have considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mrs S or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

**My final decision**

My final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 16 April 2025.

Rachael Williams  
**Ombudsman**