

## **The complaint**

Mr T complains that National Westminster Bank Plc was irresponsible in its lending to him.

## **What happened**

Mr T was provided with two loans by NatWest. One in September 2021 for £7,000 (loan 1) and one in June 2023 for £20,000 (loan 2). Loan 1 had a loan term of 60 months and required monthly repayments of around £186. Loan 2 had a term of 63 months and required monthly repayments of around £450. Mr T says that when the loans were provided his only income was from benefits and that adequate checks weren't undertaken to assess whether he could afford the repayments. He said that had adequate checks taken place NatWest would have realised that the lending wasn't affordable for him.

NatWest issued a final response saying that Mr T's loan applications were accepted without any internal policy warnings meaning that no additional checks were needed. It said that before the lending it gathered information about Mr T's monthly income and this was recorded as £1,800 for loan 1 and £2,400 for loan 2. It noted that having checked Mr T's account for the six months prior to the application being made, the credits into the account exceeded the declared income amounts. NatWest asked Mr T to confirm his expenditure for costs such as housing, existing credit commitments, living costs and other expenditure and it said based on its checks the loans were affordable.

Mr T wasn't satisfied with NatWest's response and referred his complaint to this service.

Our investigator considered the checks NatWest carried out before the loans were provided and thought these were proportionate. However, considering the evidence gathered, she thought that certain income receipts into Mr T's account shouldn't be included in his income assessment as Mr T had explained they related to payments being held on behalf of an individual that he didn't have the benefit of and money from a friend following the sale of his car.

Taking the above into account our investigator calculated Mr T's income at the time of loan 1 as being around £1,800 which was in line with the declared amount. Deducting Mr T's existing credit commitments and living costs from his income, she didn't think this suggested the loan repayments to be unaffordable. Therefore, she didn't uphold this complaint in regard to loan 1.

Considering the information available at the time of Mr T's application for loan 2, our investigator found his monthly income to average around £1,800, which was lower than the amount declared. She noted Mr T was paying around £700 a month for bills and also had existing credit commitments including loan 1 and his general living costs. She said that including the cost of loan 2 into Mr T's expenses would leave him with minimal, if any, disposable income each month and so she didn't think the repayments were sustainable over the term. She also noted that including loan 2 in Mr T's costs would result in him paying 40% of his income for his credit commitments. Based on this our investigator upheld this complaint in regard to loan 2.

NatWest responded to our investigator's view with a calculation of the amount of interest that would be refunded on loan 2 and confirmation that a 0% interest rate would be applied to the outstanding capital balance. It recommended that Mr T engage with its Financial Health and Support Team given the size of his outstanding balances. It said this team could carry out an income and expenditure assessment and discuss Mr T's repayment options with him.

Mr T requested that his complaint be considered by an ombudsman. He said that NatWest shouldn't have provided the loan, and he couldn't afford to repay it.

### **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.

This decision about whether NatWest acted irresponsibly when it provided Mr T with two personal loans. Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

NatWest has explained that when processing a loan application an affordability assessment takes place that considers the information provided by the applicant, any existing account history with it, credit scoring and data registered with the credit reference agencies. Mr T's declared income was validated against its system generated average account turnover. Mr T's expenses were taken from the information he provided along with data from the credit reference agencies. NatWest confirmed that the credit checks carried out showed no adverse credit data such as defaults, court judgments or bankruptcies. It said that its audit of Mr T's account supported his declared income with his receipts into his account being higher than the declared income amount.

In this case, I find that the checks carried out and information gathered by NatWest before the loans were provided was reasonable. However, this doesn't necessarily mean that the loans should have been provided. Given the information available to NatWest, specifically Mr T's account statements, I think it reasonable that this information would have been assessed as part of the affordability checks.

I have looked through Mr T's statements for the months leading up to loan 1 and these show him receiving regular benefit payments, receipts from an individual and transfers into his account. Mr T has explained that the receipts from the individual were not for his benefit and I can see that payments were also made to the individual from the account. I have therefore considered Mr T's income to be the regular amounts he received from his benefits. This averaged around £1,800 a month which was in line with his declared income.

I note Mr T's comment about being on benefits at the time, but I do not find that this meant the lending shouldn't have been provided. Benefits are a source of income and so I find it reasonable these were included in Mr T's affordability assessment. Based on a monthly income of £1,800 and taking into account Mr T's cost for his housing, other credit commitments and general living costs, I do not find that the evidence provided suggested the loan repayments for loan 1 were unaffordable.

When Mr T applied for loan 2, his declared income was £2,400. However, based on the information contained in his bank accounts, I think that a net monthly income figure of around £1,800 is more reasonable. This is the amount that Mr T received regularly into his account from his benefits. There were additional receipts into Mr T's account, but these weren't regular and given the term of loan 2 and the need for the repayments to be sustainably affordable over the term of the loan, I think it reasonable that only the regular receipts were relied on.

Based on an income of £1,800, Mr T's credit commitments, including loan 2, would account for around 40% of his income, which was a substantial increase. Adding to this Mr T's other expenses, including his housing costs, utilities, insurances as well as general living costs such as food and fuel, I think would have raised concerns that the repayments under loan 2 weren't sustainably affordable for Mr T.

I understand Mr T's comment about loan 2 being unaffordable and him not being able to make the repayments, but I find that the resolution recommended by our investigator of a refund of all interest and fees charged on loan 2 is reasonable. I appreciate that Mr T is struggling financially, and I am sorry to hear of the extremely difficult experiences he has had and the impact of these. However, in this case, as Mr T had the benefit of the money provided through the loan I think it is fair that he be required to repay this. However, as already explained we wouldn't expect him to repay any more than the amount borrowed.

In conclusion, I do not find that NatWest was wrong to provide Mr T with loan 1. However, I think that based on the evidence available loan 2 should have raised concerns about how sustainably affordable the repayments were for Mr T. Therefore, I am upholding this complaint in regard to loan 2. NatWest has said that Mr T should engage with its Financial Health and Support Team so that an accurate income and expenditure assessment can be carried out and Mr T's options discussed. I find this a reasonable way forward and given the comment that Mr T has made about his current financial situation we would expect NatWest to treat him sympathetically and positively in regard to any outstanding balance.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mr T has complained about, including whether its relationship with Mr T might have been unfair under Section 140A Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr T in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

As I do not find that NatWest should have provided loan 2, Mr T shouldn't be required to repay any more than the amount he borrowed. NatWest should add up the total amount of money Mr T received from loan 2 (June 2023). The repayments Mr T has made should be deducted from this amount.

- If this results in Mr T having paid more than he received, any overpayments should be refunded along with 8% simple interest\* (calculated from the date the overpayments were made until the date of settlement).
- If any capital balance remains outstanding, then NatWest should arrange an affordable and suitable payment plan with Mr T.

\*HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr T a certificate showing how much tax it's taken off if he asks for one.

**My final decision**

My final decision is that National Westminster Bank Plc should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 30 December 2024.

Jane Archer  
**Ombudsman**