

## **The complaint**

Mr W has complained to TSB Bank plc that it lent to him irresponsibly in December 2023 by approving a loan for him for £20,000 repayable over 84 months.

Mr W says that he was not aware of the interest rate on the loan and when he did realise he was not happy with the amount of interest being charged. He's said: *'I pay £374 off a 20k loan then the next day they put £228 back in'*

## **What happened**

As the background is well known to both parties I won't repeat it here. Instead, I'll focus on what has happened since the complaint came to our service and my findings.

Mr W was not content with the response he received from TSB so he referred his complaint to the Financial Ombudsman Service. He has sent to us many documents and has told us about his health and disability issues, I was sorry to read of these. I have taken these into account when assessing this complaint and writing to him now.

One of our investigators considered the complaint and thought that TSB had not done the right checks at the time. But having looked at Mr W's bank account statements for the period leading up to the December 2023 application she felt he had enough income to afford the repayments.

She concluded that TSB Bank were made aware of Mr W's disability with comprehension issues on 17 May 2024 and it updated the system to reflect this. So, our investigator did not think that TSB Bank had acted unfairly here. She also said that even if it had been made aware, this would not have prevented Mr W from applying for a loan through the TSB banking app. She did not uphold his complaint.

The unresolved complaint was passed to me to decide.

## **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.

Our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance, and good industry practice – is on our website. And I've used this to help me decide Mr W's complaint.

Having carefully considered everything I've decided to uphold Mr W's complaint in part. I'll explain why in a little more detail.

TSB needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to find out if Mr W could afford to repay any credit it provided.

We think it's reasonable for checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done if, for example, a borrower's income was low or the amount lent was high. And the longer the lending is for, the greater the risk of it becoming unsustainable. So, we'd expect a firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all the arguments, evidence and information provided and what this means for Mr W's complaint.

### ***Business loan refusal***

Mr W spoke to one of our investigators to start our investigation and I have listened to that recorded call.

Mr W he was a sole trader, self-employed and the business accounts had been with TSB for 18 years. He'd applied for a business loan and it had been declined.

During the recorded call Mr W questioned why TSB was giving him a personal loan when it had denied him a business loan – and he assumed that TSB would have known how much he earned. So, having reviewed the complaint I wrote to TSB about this.

TSB confirmed to me that in June 2023 Mr W's business had wanted a loan and that he'd been declined. It also added –

*'We would also like to highlight that [Mr W's] personal banking and business banking are on separate banking platforms. Therefore, when he applies for a personal loan, as this is a personal product, it wouldn't initiate a review of his business accounts.'*

I think the separation of the two banking platforms is to be expected.

So, I do not think that Mr W's personal loan application would have led to an automatic review of his business' financial health.

### ***Proportionate checks***

Turning now to the information TSB had when it received Mr W's application for the personal loan, and if it carried out proportionate checks. I have reviewed all the information TSB has sent to me. I have been careful to review what information it had and was aware of before Mr W applied in December 2023.

Mr W's mother had informed TSB in February 2022 of his vulnerabilities in relation to his physical health. For privacy reasons I do not go into detail here but both parties are aware to what I refer. These were called 'Tailored Support' notes and were updated in July 2023.

This is different to the record made in May 2024 relating to what I briefly describe as Mr W's comprehension issues. That May 2024 record post-dates the loan application in December 2023 and so is irrelevant when I am assessing the circumstances of TSB's approval of it.

But I am aware of the Tailored Support notes, together with Mr W's explanations of his physical issues for the last few years and I was sorry to read about them all.

The loan was for £20,000 repayable over 84 months at £374.47 each month. The total amount payable was £31,455.48.

Mr W declared £46,000 (after tax) from self-employed income, was a homeowner with a mortgage, single, had childcare payments of £358 each month, but gave no other expenditure details. Mr W said that the loan was required for 'home improvements.'

Mr W was asked if he was aware of any changes to his circumstances which may impact his ability to make monthly loan repayments over the term of the loan and he answered 'No.'

TSB has shown us records of the credit reference search it had carried out.

His one credit card had a credit limit of £6,250 had a balance of £733 on it.

His overdraft limit was £3,000 and it had a balance of £0.

There was a listing for a loan at £490 which appears to relate to the balance as £490, not monthly repayments of £490.

It knew Mr W was paying for mortgages the cost of which it had as £568 a month.

Mr W's income was declared as £46,000 each year after tax. That translated into around £3,800 each month. TSB has said in the FRL:

*We estimate disposable income based on total take-home income with deduction of housing cost, repayment to existing borrowing, and essential living cost.*

TSB would have seen from the Tailored Support notes that Mr W was in hospital and had been there for several months. So, I'd say TSB had knowledge of his physical vulnerabilities from February 2022 lasting several months. In my view, due to this, verification of his income for a consumer in that position should have been more detailed than it was.

So, that means I needed to review what it is that TSB would have seen if it had gone into more detail before approving the loan for him.

I have seen from the information Mr W has sent to me – his personal credit file and the bank statements - that Mr W had three mortgages that were 'open,' at least one of which was a buy to let mortgage. Mr W's bank statements show that he had two lots of monthly income coming in from rental properties - £615 & £775.

These would likely have been enough to cover the cost of the mortgages for those properties and any associated costs and so I have not included them in Mr W's income when considering what Mr W's usual income was. And that's because the income from the properties likely covered the costs of those rental properties.

The analysis I have done of his personal credit file also shows me that in the lead up to December 2023, he also had an overdraft which was at £0, a credit card with a fairly low balance on it (outlined earlier in this decision), a loan costing him £547 a month plus one of the other mortgages may well have been for his own home. And the other two mortgages likely would have been covered by the rental income as I have said earlier in this decision.

Mr W's bank statements for October 2023 show me that money coming in from his sole trading business account and from another account in his name (and so I think I can safely say that account must be his too), he received around £10,449. Plus, the business paid

£6,000 into his personal account which then was paid out immediately to a card ending \*1973.

Mr W paid towards a pension, and various business and personal insurances. These came to around £234. Other regular payments I'd expect to see came to around £770. He paid for business bookkeeping of £234 but that may have been something he'd account for in his business accounts and so not relevant when assessing affordability for a personal loan. Mr W declared he had child maintenance payments but I've not seen specific payments out with that reference attached.

And based on these figures, had TSB looked into his income and outgoings then it would have recognised that Mr W had more than enough income left over to repay £374 a month for the £20,000 loan.

November 2023 bank statements differed as income came from the sole trading account and also a newly incorporated company with the same name as his business. The sole trading business paid in around £7,000 to the personal account and the limited company paid in £17,000.

There was more income which credited the account and had a reference to an address in his home area which brought in £4,500. He received the rental income again - £675 and £775 – so it looks like one rent had increased. And his outgoings were much the same as for October 2023.

So, if TSB had carried out better checks I don't think that it would have altered its decision to lend.

### ***Comprehension issues***

Mr W has said that he was looking for a quote when he used the TSB online App and had not meant to apply for the loan.

Mr W has told us that he has some issues with the comprehension and reading of documents.

This part of Mr W's submissions I am not persuaded by. I have reviewed in detail the credit file he has sent us to understand how he managed his affairs in general.

Mr W was an experienced applicant for credit having had multiple mortgages (including buy-to-let mortgages), multiple loans and several other agreements over many years such as those for mobile phones, utilities, and car insurances. So, I do not consider it likely that Mr W applied for this TSB loan in error.

And I consider that its more likely than not that Mr W, being familiar with many earlier applications and payments of loans multiple times in the past, knew of the details of this loan and/or knew where to find those details.

I think that if Mr W had not wanted the loan, then my view is that he would have seen the £20,000 credit his bank account (as I have seen it did on 19 December 2023) and would have been able to contact his bank about the change of mind.

Had he done that, it would have been explained to him that there was a 14 day withdrawal period.

Instead, Mr W used the money and made transfers that same day. And I have seen records from TSB which show Mr W was used to, and used, on-line banking, received E-statements and other electronic communications from it.

I accept Mr W's point that he may have found it difficult to understand some of the details of the documents. But it appears that Mr W is and has been capable in the past and has support to be able to ask for assistance when he needs it.

So, I do not consider that the reading and comprehension part of his health issues he's described to us meant he applied for the loan in error or applied for the loan not being fully aware of the terms or unable to find those terms.

Overall, taking everything into consideration, I find that TSB did not lend irresponsibly when it approved the loan in December 2023. And as for the interest amounts I have answered that in the earlier paragraphs of my provisional view on his comprehension issues.

I do not uphold Mr W's complaint.

I've also considered if TSB acted unfairly or unreasonably in any other way and 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 Mr W or otherwise treated him 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 decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 21 March 2025.

Rachael Williams  
**Ombudsman**