

The complaint

Mr S complains that National Westminster Bank Plc was irresponsible in its lending to him. He wants all interest and charges he has paid refunded along with 8% simple interest. He also wants any adverse information recorded on his credit file removed.

Mr S is represented by a third party but for ease of reference I have referred to Mr S throughout this decision.

What happened

Mr S's complaint is in regard to two credit card accounts provided to him by NatWest in 2019. He said that before the credit card accounts were provided adequate checks weren't undertaken to ensure the lending would be affordable for him.

NatWest issued a final response explaining that before it lends it carries out creditworthiness and affordability checks. It said it reviewed information provided by Mr S as well as information gained from the credit reference agencies and third-party sources. It said that for lending to be provided the customer had to meet its lending criteria.

Mr S referred his complaint to this service.

Our investigator recorded that Mr S was provided with a credit card account on 23 April 2019 with a £8,150 credit limit and another credit card account on 24 April 2019 with a £4,600 credit limit. However, she noted that NatWest had confirmed the credit card account with the £8,150 credit limit was never used and that account was closed in June 2019. As no interest or fees had been applied there was no loss associated to this account and so our investigator explained that she hadn't considered this further.

Our investigator considered the checks that were undertaken before the credit card account was opened on 24 April 2019. She said that Mr S's credit check didn't show any county court judgements, defaults or recent missed payments. He declared a net monthly income of £1,622 and that he was a homeowner with no dependents. NatWest estimated Mr S's living costs, calculated his payments to existing creditors and included his mortgage payments based on the credit reference agency data. This suggested Mr S's disposable monthly income to be £462.

Our investigator considered that the credit limit on this account was additional to the £8,150 credit limit provided on Mr S's other credit card. This gave total credit of £12,750. Based on this she thought that NatWest should have carried out further checks to understand Mr S's committed expenditure. However, she found that had this happened, the lending wouldn't have been seen to be unaffordable. Therefore, she didn't uphold this complaint.

Mr S responded to our investigator's view noting the amount that would need to be repaid on a total credit limit usage of £12,750. Our investigator considered this but said there was no outstanding balance on the £8,150 credit card account. However, taking into account the repayments that would be due if both accounts were used, she still found the lending to be affordable.

As Mr S didn't accept our investigators view, this case has been passed to me, an ombudsman, to issue a 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.

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.

Mr S was provided with two credit card accounts by NatWest in April 2019. As one of the accounts wasn't used and so no interest or charges were applied before the account was closed in June 2019, I haven't considered this account further. However, I have factored the existence of the account into my assessment of the credit card account with a £4,600 credit limit.

Before the £4,600 credit card account was provided, NatWest carried out a credit check and gathered information about Mr S's income and residential status. Mr S declared a net monthly income of £1,622 and that he was a homeowner. The credit data was used to assess Mr S's existing commitments, including his mortgage and estimates were used for his general living costs. Mr S's credit check didn't raise any concerns about how he was managing his existing credit commitments, and the affordability checks didn't suggest the lending to be unaffordable. But, given Mr S had applied for two accounts at the same time and noting the combined credit that was then available to him, I think it would have been reasonable to have obtained information about Mr S's committed expenditure to ensure the lending would be affordable for him. As NatWest had access to this information through Mr S's bank statements, I think it reasonable it would have considered this.

I have looked through Mr S's bank statements for the three months leading up to the credit card being provided. These show Mr S receiving a regular average income of around £1,621 which was in line with the amount he had declared. Deducting from this his mortgage and other credit commitments (totalling around £555) and his committed expenditure for costs such as utilities, insurances and communications contracts (around £275) would leave Mr S with around £791 to cover the cost of the new credit card account and his general living costs such as food and transport. While Mr S had taken out both accounts around the same time, there was no balance on one account, and he didn't use this. However, even if repayments on the combined credit limits was included, I do not find that I can say the lending should have been considered unaffordable.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mr S's complained about, including whether its relationship with him might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NatWest lent irresponsibly to Mr S 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 final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 February 2025.

Jane Archer
Ombudsman