DRN-5267945

Complaint

Mr O has complained that National Westminster Bank Plc ("NatWest") unfairly provided him with unaffordable loans.

Background

Mr O has also complained about credit cards which NatWest provided to him. We've explained that we're considering the credit card complaint separately from Mr O's loan complaint and this decision is only looking at whether NatWest acted fairly and reasonably when providing Mr O with his loans.

NatWest provided Mr O with twelve loans. As far as I can see Mr O's loan history was as follows:

Loan	Taken	Concurrent with	Settled	Amount	APR	Term*	Payment*	Combined amount**
1	February 2012		October 2012	£5,000.00	18.90%	24	£247.54	
2	October 2012		October 2013	£10,000.00	17.30%	60	£243.69	
3	July 2014		July 2016	£4,000.00	19.40%	42	£128.86	
4	September 2015	Loan 3	July 2016	£6,000.00	16.20%	60	£143.10	£271.96
5	December 2015	Loans 3 and 4	December 2016	£1,700.00	25.40%	12	£159.82	£431.78
6	July 2016	Loan 5	June 2018	£18,000.00	18.80%	84	£371.84	£531.66
7	March 2017	Loan 6	June 2018	£20,000.00	19.0%	84	£414.49	£786.33
8	May 2017	Loans 6 and 7	June 2018	£5,000.00	17.80%	60	£122.92	£909.25
9	September 2018		April 2022	£19,000.00	9.90%	64	£310.37	
10	September 2020	Loan 9	April 2022	£15,000.00	15.90%	84	£289.82	£600.19
11	November 2021	Loans 9 and 10	April 2022	£19,950.00	6.90%	63	£398.24	£998.43
12	June 2022		Still running	£20,000.00	12.20%	87	£356.69	

* Monthly
** amount of combined loan payment Mr O was making to NatWest for all of his outstanding loans

Mr O's complaint was reviewed by one of our investigators. She thought that NatWest hadn't done anything wrong or treated Mr O unfairly when providing these loans. So she didn't uphold the complaint.

Mr O disagreed with our investigator's assessment of his case. So the complaint was passed to an ombudsman for review.

My provisional decision of 17 December 2024

I issued a provisional decision – on 17 December 2024 - setting out why I was intending to partially uphold Mr O's complaint.

In summary, I was intending to conclude that NatWest didn't act unfairly or unreasonably when providing loans 1 to 5 to Mr O as I didn't think that reasonable and proportionate checks would have shown that the monthly payments to these loans were unaffordable.

However, shouldn't have provided loans 6 to 12 to Mr O as it ought reasonably to have realised that these loans would more likely than not have unfairly and excessively increased his overall indebtedness.

Mr O's response to my provisional decision

Mr O confirmed that he accepted my provisional decision and that he had nothing further to add ahead of my final decision.

NatWest's response to my provisional decision

NatWest also confirmed that it accepted my provisional decision and that it had nothing further to add ahead of my final decision.

My findings

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

I thank the parties for their responses to my provisional decision and I am pleased to see that they have both agreed with my conclusions in full. As this case, I see no reason to depart from the conclusions of my provisional decision to partially uphold Mr O's complaint. I'll therefore, in full, restate my reasons for partially upholding Mr O's complaint.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Mr O's complaint.

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr O's complaint.

These two overarching questions are:

- Did NatWest complete reasonable and proportionate checks to satisfy itself that Mr O would be able to repay his loans in a sustainable way?
    - If so, did it make a fair decision?
    - If not, would those checks have shown that Mr O would've been able to do so?

- Bearing in mind the circumstances, at the time of each application, was there a point where NatWest ought reasonably to have realised Mr O's indebtedness was being increased in a way that was unsustainable or otherwise harmful and so it shouldn't have provided further loans?

If I determine that NatWest didn't act fairly and reasonably in its dealing with Mr O and that he has lost out as a result, I will go on to consider what is fair compensation.

Did NatWest complete reasonable and proportionate checks to satisfy itself that Mr O would be able to meet repay his loans in a sustainable way?

While the regulator of consumer credit, may have changed between loan 2 and loan 3, nonetheless the rules, regulations and good industry practice in place throughout the period NatWest lent to Mr O required it to carry out a reasonable and proportionate assessment of whether he could afford to repay his loans in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so NatWest had to think about whether repaying the loans sustainably would cause difficulties or adverse consequences for Mr O. In practice this meant that NatWest had to ensure that making the payments to the loan wouldn't cause Mr O undue difficulty or adverse consequences. In other words, it wasn't enough for NatWest to simply think about the likelihood of Mr O making payments, it had to consider the impact of loan repayments on Mr O.

Checks also had to be "proportionate" to the specific circumstances of the application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);

- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);

- the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've carefully thought about all of the relevant factors in this case.

Were NatWest's checks reasonable and proportionate?

NatWest has said that it completed an income and expenditure assessment with Mr O before providing all of these loans. It said that it considers it did enough to establish that all of these loans were affordable. I've considered what it did for each loan and the position at the respective times. For the sake of clarity and to make things easier to follow, I've sometimes grouped together some of the loans.

- Loans 1 to 3

Loan 1 was provided in February 2012, was for £5,000.00, had an APR of 18.9% and was due to be repaid in 24 monthly repayments of £247.54. Mr O was provided with loan 2, which was for £10,000.00, in October 2012. It had an APR of 17.3% and was due to be repaid in 60 monthly repayments of £247.54. Finally, Mr O was provided with loan 3 in July 2014. This loan had an APR of 19.4% and was due to be repaid in 42 monthly repayments of £128.86.

I understand that NatWest carried out credit checks on Mr O before providing all of these loans. However, it no longer has a record of what these credit checks showed. But given these credit checks were carried out more than a decade ago, I don't find this too surprising. And I've not drawn any adverse inferences from the fact that NatWest hasn't been able to provide this information.

In any event, I've not seen anything to indicate that Mr O had any significant adverse information – such as defaults or County Court Judgments ("CCJ") – recorded against him at this time. Furthermore, I think that Mr O is likely to have, at least, been asked for details of his income.

The information Mr O has provided, shows that at the time of loan 1 this was around £200 a week and at the time of loan 2 it had increased to £300 a week. By the time of loan three, Mr O appears to have been paid monthly and it looks like Mr O was receiving a monthly salary of around £1,500.00.

I accept that NatWest may not have asked Mr O for further information about his household bills and expenditure. However, given what would be left over from his monthly income once his payments to loans 1 to 3 were deducted, I'm satisfied that a detailed breakdown of Mr O's non-credit related expenditure wasn't necessary here.

Bearing in mind the dates of the loans, I suspect that Mr O may have repaid loan 1 with some of the proceeds of loan 2. For reasons, I will explain further on in this provisional decision, repeat borrowing can in itself be an indication of difficulty. I've therefore thought about this in relation to loans 2 and 3. However, the monthly payments for loan 2 were slightly lower and Mr O appears to have made all of his payments to loan 1 on time.

Furthermore, there looks to have been a number of months between loan 2 being repaid and Mr O's application for loan 3 (which can often be referred to as a gap in lending). I'm also mindful that not only was it a case that Mr O was borrowing a significantly lower amount but his monthly payment for loan 3 was around half of what they'd been previously. So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't immediately obvious that Mr O might have taken loans 2 and 3 because of the effect loans 1 and 2 might have left on his finances.

Given Mr O's income at the time, there wasn't anything inconsistent or difficult to explain in the information that NatWest had, the pattern of and gaps in lending and Mr O was borrowing a lower amount for loan 3, I'm satisfied that it is just about likely to have carried out reasonable and proportionate checks before providing loans 1 to 3 to Mr O.

As these checks are likely to have shown that Mr O had sufficient disposable income to make the required payments, I find that NatWest acted fairly and reasonably when providing loans 1 to 3 and I'm not upholding Mr O's complaint about these loans.

- Loan 4

Loan 4 was provided in September 2015, was for £6,000.00, had an APR of 16.2% and was due to be repaid in 60 monthly repayments of £143.10. What's important to note is that Mr O was provided with this loan before he'd repaid loan 3. So while the monthly repayments to this loan were £143.10, as Mr O also had to make the payments to loan 3 he was required to pay NatWest a total of £271.96 a month in loan payments.

NatWest has provided a record of the information Mr O was asked about at the time of his application. On this occasion, Mr O confirmed he was receiving £1,700.00 a month and also confirmed that he was paying around £750 in rent and other living costs. This time it looks like NatWest's credit check showed that Mr O was paying approaching £600 a month towards his existing credit commitments.

I also understand that the credit search carried out on Mr O once again showed that he didn't have any significant adverse information - such as defaults or county court judgements recorded - against him.

However, I have concerns that other than carrying out credit checks, NatWest's checks for loan 4 appear to be based mainly on Mr O's declaration of income and expenditure despite him, by this stage, clearly being a repeat borrower. Indeed, this was Mr O's fourth loan in just over three and a half years and Mr O was now required to make payments to two loans at the same time.

Nonetheless, I'm mindful that the combined loan payments for loans 3 and 4 weren't too much more than the highest hat Mr O had been able to maintain. And as part of its checks, NatWest was reasonably entitled to take into account Mr O's previous repayment history.

So while I do think that there were a couple of things to monitor going forwards, particularly as Mr O was now in a position where he had more than one loan running at the same time, I'm satisfied that NatWest did, just about, carry out reasonable and proportionate checks before providing loan 4 to Mr O.

Given that these checks showed Mr O had sufficient disposable income to make the required payments, I find that NatWest acted fairly and reasonably when providing loan 4 and I'm not upholding Mr O's complaint about this loan.

- Loan 5

Loan 5 was provided in December 2015. It was for £1,700.00 had an APR of 25.4% and was due to be repaid in 12 monthly repayments of £159.82. Furthermore, when Mr O was provided with loan 5, loans 3 and 4 were still outstanding. So the total amount that Mr O was due to repay NatWest in unsecured personal loan payments for at least 12 months was £431.78.

Notwithstanding this, NatWest still only carried out similar checks to what it had done for loans 1 to 4. Mr O confirmed he earned £1,700.00 a month. However, Mr O appears to have declared that he wasn't paying any rent. NatWest appears to have accepted this at face value, despite the fact that he declared that he did pay rent at the time of loan 4 which was only three months earlier. In these circumstances, I would have expected NatWest to have contacted Mr O about this discrepancy.

NatWest's credit check also showed that the monthly amount Mr O was paying towards his credit commitments had increased from when he took out loan 4 (although it is possible that this was just reflecting what Mr O owed on loan 4). Nonetheless, in my view, the frequency of Mr O's loan applications combined with the fact that Mr O purportedly didn't have any rent payments, despite having them only three months earlier, means that NatWest clearly ought to have been aware that some of the information it had been provided with was not only inconsistent but difficult to explain.

As this is the case, I think that NatWest needed to find out more about Mr O's actual circumstances before agreeing to provide him with loan 5. As I can't see that NatWest did do this, or that it asked Mr O to provide anything more than he had done for loans 1 to 4 despite him now applying for funds for a fifth time, I find that it did not complete fair, reasonable and proportionate affordability checks before providing loan 5 to Mr O.

- Loan 6 onwards

Loan 6 was provided in July 2016 was for £18,000.00. I understand that just under £8,000.00 went towards settling the outstanding balances on loans 3 and 4. This loan had an APR of 18.8% and was due to be repaid in 84 monthly repayments of £371.84. As loan 5 remained outstanding, there was also going to be a period of a few months where Mr O would have to make total loan payments of around £531.66 per month.

I think that NatWest ought to have been concerned that this was now Mr O's sixth loan. And of the previous five loans, three had been paid with further loans and a fourth was still outstanding. So in reality Mr O had thus far only proven himself able to repay one of his previous five loans without borrowing further. Yet despite this I can't see that NatWest did much more than what it had done before providing loans 1 to 5.

I'm also concerned at the accuracy at some of the credit check information which NatWest appears to have relied on too. For example, for loan 7 Mr O was recorded to have had total loan repayments of around £370, which is pretty much the loan repayment for loan 6 (by this stage loan 5 had been fully repaid).

I'm also especially concerned that NatWest accepted loan 8 even though Mr O had a declared income of £19,000.00 a month. Again, this is information which was inconsistent and difficult to reconcile with what NatWest had been told previously. This led to Mr O being accepted for a third loan while having two previous ones outstanding and Mr O now needed to make some £900 in loan payments to NatWest each month.

In my view, Mr O's increasing indebtedness ought to have caused NatWest some concern. And not only should it have asked Mr O further questions about his living costs and regular non-credit related expenditure, I think that NatWest needed to take further steps to verify whatever Mr O said about his expenditure too.

NatWest could have done this by checking information such as bank statements or copies of bills. Indeed, as Mr O's main bank account was with NatWest, it's clear that NatWest had access to this information. But NatWest chose to ignore it and instead rely on its usual process for assessing singular applications. It doesn't appear to have done anything taking account of the fact that Mr O was now a repeat borrower and was applying for his largest amount despite having already been borrowing for and taken five loans in four and a half years.

Indeed, it's fair say that Mr O's pattern of borrowing was, at the very least, unusual and arguably erratic. I don't think that this many loan applications, over such a period, with a number of loans outstanding at the same time is typical. That's not even taking into account any applications for credit which Mr O will have been making elsewhere.

In my view, by the time of loan 6 (as well as the later loans) NatWest needed to properly scrutinise Mr O's finances and ensure that he did have enough funds to be able to make the payments before it arranged this loan.

As NatWest has not provided me with evidence of it finding out more about Mr O's circumstances, or that it asked Mr O to provide much more than he had done for loans 1 to 5 despite all of this and his, what on the face of things appeared to be, increasing indebtedness, I find that it did not complete fair, reasonable and proportionate affordability checks before providing loans 6 to 12 to Mr O.

Would reasonable and proportionate checks have shown NatWest that Mr O would not have been able to sustainably repay loan 5?

For loan 5, I do think that NatWest needed to find out more about Mr O's living expenses before agreeing to provide this loan to him. This was Mr O's fifth application in a relatively short period. And he was taking out this loan while he still had to make payments to loans 3 and 4. I've consulted Mr O's NatWest bank statements with a view to determining what proportionate checks are more likely than not to have shown.

However, having looked at the bank statements Mr O has provided to us, I can't see anything obvious in them which indicated Mr O wouldn't be able to make the repayments to loan 5.

Indeed, when Mr O's actual discernible living expenses on these statements are added to what Mr O's other committed expenditure and then deducted from his income, he appears to have had the disposable income to be able to make the repayments required here. So Mr O's actual living expenses don't obviously seem out of kilter with any assumptions that NatWest might have made.

As this is the case, I'm satisfied that NatWest did not do anything wrong when deciding to provide loan five to Mr O either. In my view, proportionate checks would more likely than not have suggested the repayments were affordable. And I think that it is unlikely that these would have prevented NatWest from lending in these circumstances.

So overall and having carefully considered everything, I've not been persuaded that proportionate checks would have shown that NatWest that loan 5 was individually unaffordable for Mr O. So I'm not upholding Mr O's complaint about loan 5.

Bearing in mind the circumstances, at the time of each application, was there a point where NatWest ought reasonably to have realised Mr O's indebtedness was being increased in a way that was unsustainable or otherwise harmful and so shouldn't have provided further loans?

As previously explained, where a firm failed to carry out reasonable and proportionate checks before providing a loan or loans, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, I haven't gone on to recreate individual, proportionate checks for loans 6 to 12 because I don't think that it is necessary to do so here. I think this is the case because in addition to assessing the circumstances behind each *individual* loan application Mr O made to NatWest, I also think it is fair and reasonable to look at the *overall pattern* of lending and what unfolded during the course of Mr O's history with NatWest.

I'm mindful here that the relevant rules and guidance make it clear that a firm shouldn't continue arranging further lending where the loans are unsustainable or otherwise harmful and/or it is apparent that the customer may be experiencing financial difficulties.

And I think that by loan 6, NatWest ought fairly and reasonably to have realised that Mr O's financial position was such that further loans were simply unsustainable for him. I've already set out most of the reasons for this in the section on why I don't think that NatWest's checks were reasonable and proportionate. But the factors which lead me to conclude that NatWest ought fairly and reasonably to have realised loans 6 to 12 were unsustainable or otherwise harmful are:

- NatWest says that Mr O had no missed payments and some loans were repaid earlier than planned. However, while NatWest might have considered this to mean that Mr O's repayment record was good, he'd clearly been borrowing to repay previous loans. For example, loan 1 was repaid with some of the funds from loan 2 and loans 3 and 4 were being paid with some of the funds from loan 6. Mr O repaying earlier loans with further loans is in itself evidence of unsustainably repaying – according to the regulator's rules and guidance.

- I'm also concerned about the effect that consolidating earlier loans into later loans respectively had on the overall costs Mr O had to repay. Mr O's loans will have followed a typical amortisation schedule. In the early stages of the loan a significant proportion of Mr O's monthly payments were going towards repaying the accrued interest. And as loans 3 and 4 were settled (into loan 6) within months of being provided, a significant proportion of Mr O's monthly payments would have repaid interest rather than reduced his balance.

- I'm particularly concerned that loan 4 was being consolidated into loan 6. Loan 4 had an APR of 16.2% and a remaining term of around 50 months. Yet Mr O was consolidating this balance into a loan that had a higher APR of 18.8% and which had a much longer term. So Mr O was going to pay far more on this loan overall as a result of this consolidation.

- When Mr O was provided with loan 8 this was the second time where Mr O had three loans running concurrently with NatWest. I suspect that the monthly income of £19,000.00 recorded was actually supposed to be £1,900.00. So the £900 Mr O was having to pay to NatWest each month, for his loans, took up a huge chunk of his income. This doesn't include any of his other borrowing (I'm aware that he at least had credit cards with NatWest) either. This simply wasn't sustainable.

- The provision of loan 11 resulted in a third time that Mr O had three loans running concurrently. The total amount advanced for these loans was approaching £54,000.00. Mr O was going to be required to make total loan repayments of just under £1,000.00 a month for at least 2 years. NatWest says that Mr O declared that he received an income of £3,500.00 a month and that he had a disposable income of around £1,250.00. However, I can't see that this is this the case. Indeed, his history of borrowing so much appears incompatible with this and I'd also question why Mr O was constantly running an overdraft on his NatWest current account, if he had such an amount of surplus funds.

- Mr O started out owing £5,000.00 which he was required to repay over two years. By loan 12, Mr O now needed to repay NatWest £20,000.00 over just over seven years. This is despite that fact that he'd been borrowing from NatWest for over ten years. It's fair to say that there was a nine-month gap between loan 2 being repaid and loan 3 being taken; and a three-month gap between loans 6, 7 and 8 being repaid and loan 9 being taken.

But even then loan 12 resulted in Mr O owing NatWest significantly more (and he still had another seven years of payments to make) despite having been making repayments to NatWest for nine of the previous ten years. The effect of this was to provide unsecured lending at relatively high rates of interest (only two of Mr O's loans had APRs of less than 10%) over a term typically seen on long term borrowing – such as a mortgage.

- I think that it unlikely that NatWest would have provided an unsecured loan for the totals advanced over a 17-year term. It's my understanding that the maximum term NatWest offers on a single unsecured loan is eight years. So I don't see how it was fair and reasonable for NatWest to effectively offer a term of over double this period, over a series of 12 loans in more than ten years, in circumstances where the respective amortisation schedules and subsequent refinancing meant that this would prove far more expensive.

For these reasons whether taken individually or taken together, I find that NatWest ought fairly and reasonably to have realised that loans 6 to 12 were unsustainable or otherwise harmful for Mr O and unfairly and excessively increased his overall indebtedness.

As this is the case, I find that NatWest failed to act fairly and reasonably in its dealing with Mr O when providing loans 6 to 12 to him.

Did NatWest's conduct mean that its relationship with Mr O was unfair under sections 140A- of the Consumer Credit Act 1974 ("CCA")?

I'm also mindful that, under DISP 3.6.4R, I'm required to take into account relevant law (as well as other considerations, such as a firm's regulatory obligations) when considering what is fair and reasonable in all the circumstances of a case.

Given this is a complaint regarding a series of regulated credit agreements, I'm satisfied that ss 140A-C CCA is relevant law that I am required to take into account when considering what is fair and reasonable in all the circumstances of Mr O's case. This includes taking into account whether a court is likely to find, based on the evidence available, that an unfair relationship existed in this case under s140A(1)(c) CCA and what it may order as a result.

The concept of irresponsible lending, compliance with the rules in CONC and the relationship with s140A was considered in Kerrigan v Elevate Credit International Limited (in administration)[1] ("*Kerrigan*"). In *Kerrigan*, HHJ Worcester held in paragraph 188 that the CONC rules:

> *"reflect the well-considered policies of the statutory body with responsibility for regulating the area, and are drafted with a view to meeting the objectives set out in section 1C of FSMA. They are designed to secure … an appropriate degree of protection for consumers."*

The Judge went on to state (in paragraph 190) that:

> *"The court is not bound to adopt the line drawn by the FCA in its drafting of CONC in this sort of case, but where the rules take account of the need to balance relevant matters of policy, at the lowest it provides a starting point for the consideration of fairness, and at the highest it is a powerful factor in deciding whether the individual relationship is fair or not. Given the burden of proof, when the rules are breached in a*

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[1] *Kerrigan v Elevate Credit International Limited (t/a Sunny) (in administration)* [2020] EWHC 2169 (Comm).

substantive way, it is likely to be difficult for the Defendant to show that the relationship was fair."

Finally in paragraph 209 HHJ Worcester states:

> *"In an unfair relationship claim, the onus is on the lender to prove fairness. Whilst it is likely that a breach of the rules in CONC will be sufficient to render the relationships unfair, there will be cases where the lender can show that the failure to comply with the rules does not have that effect."*

In this case, I've explained in some detail why I think that NatWest failed to carry out reasonable and proportionate checks. I think that it's failure to carry out reasonable and proportionate checks saw it fail to act in accordance with the regulator's rules and guidance as set out in the version of CONC 5[2] applicable at the respective times.

I'm therefore satisfied that NatWest breached its obligations under CONC 5 in a substantive way – particularly as it was failing to take account of its evolving relationship with Mr O and merely continued carrying out the same enquiries over and over again, in much the same way that Elevate was held to have done in *Kerrigan*.

In these circumstances, it is for NatWest to show that its failure to comply with the rules in CONC did not result in unfairness. I've already explained, in some detail, why I think that NatWest's decisions to provide Mr O with loans 6 to 12, in the circumstances that it did, resulted in it treating Mr O unfairly.

For these same reasons, and in the absence of anything from NatWest showing that its failure to comply with CONC did not cause unfairness, I think that a court would likely conclude that NatWest providing loans 6 to 12 to Mr A in breach of its regulatory obligations to lend responsibly, resulted in the lending relationship between NatWest and Mr O being unfair to Mr O under s140A.

This is a further reason – whether taken together with or taken independently of my conclusions in the first part of this section – why I think NatWest lent to Mr O when it ought reasonably to have realised Mr O's indebtedness was increasing in a way that was unsustainable or otherwise harmful for him.

Conclusions

Overall and having carefully thought about the two overarching questions, set out on page two of this decision, I find that:

- NatWest *did* complete reasonable and proportionate checks on Mr O to satisfy itself that he was able to repay loans 1 to 4 and that it made fair and reasonable decisions to provide these loans;

- NatWest *did not* complete reasonable and proportionate checks on Mr O to satisfy itself that he was able to repay loans 5 to 12. This meant that NatWest failed to act in compliance with the regulator's rules and guidance;

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[2] The FCA's rules in relation to responsible lending are set out in CONC 5. The initial version of these rules was in force between 1 April 2018 and 30 October 2018. On 1 November 2018, CONC 5.2 *'Creditworthiness assessment: before agreement'* and CONC 5.3 *'Conduct of business in relation to creditworthiness and affordability'* were replaced by CONC 5.2A *'Creditworthiness assessment'*.

- NatWest is likely to have concluded that the monthly payments for loan 5 were individually affordable for Mr O;

- NatWest ought fairly and reasonably to have realised that loans 6 and 12 were unsustainable or otherwise harmful for Mr O and so shouldn't have been provided as they would more likely than not unfairly and excessively increase his overall indebtedness;

- NatWest failing to act in compliance with the regulator's rules and guidance – from loan 6 onwards - and these actions causing unfairness are separately likely to have led to the lending relationship between NatWest and Mr O being unfair to Mr O under ss140 A-C CCA.

The above findings lead me to conclude that NatWest unfairly and unreasonably provided loans 6 to 12 to Mr O and that it should now put things right.

Fair compensation – what NatWest needs to do to put things right for Mr O

Having considered everything and why I think that NatWest acted unfairly in its dealing with Mr O (in relation to loans 6 to 12), I'm satisfied that it would be fair and reasonable in all the circumstances for NatWest to put things right for Mr O in the following way:

- refund all the interest, fees and charges Mr O paid on loans 6 to 11;

- add interest at 8% per year simple on any refunded interest, fees and charges for loans 6 to 11 from the date they were paid by Mr O to the date of settlement†;

- removing all interest, fees and charges applied to loan 12 from the outset. The payments Mr O made should be deducted from the new starting balance – the £20,00.00 originally lent.

    - If an outstanding balance remains on loan 12 once all adjustments have been made NatWest can use the compensation due for loans 6 to 11 to reduce and/or clear this;

    OR

    - If once all adjustments have been made this shows that Mr O has made overpayments on loan 12, these overpayments should also be refunded to Mr O together with interest at 8% simple a year from the date they were made by Mr O to the date of settlement†;

- removing all reference to loans 6 to 11 from Mr O's credit file. The presence of this many loans is in itself likely to constitute adverse information. And if no balance remains on loan 12 after all adjustments have been made, all reference to loan 12 should also be removed from Mr O's credit file for the same reason.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr O a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 17 December 2024, I'm upholding Mr O's complaint in part. National Westminster Bank Plc should put things right for Mr O in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 14 February 2025.

Jeshen Narayanan
Ombudsman