

## **The complaint**

This complaint is brought on behalf of the estate of Mr B. Mrs B is acting as the deceased's representative for the purposes of this complaint. She complains that National Westminster Bank Plc ('NatWest') irresponsibly agreed to lend to Mr B by way of two personal loans, in April 2020 and August 2021.

## **What happened**

In April 2020, NatWest provided Mr B with a loan for £10,000. The loan was due to be repaid in monthly instalments of £181.01.

In August 2021 Mr B successfully applied for a second loan, with NatWest agreeing to provide him with a loan for £21,900. The loan was due to be repaid in monthly instalments of £343.01.

One of our investigators reviewed what Mrs B and NatWest had told us. Initially she found that NatWest hadn't done anything wrong or treated Mr B unfairly for either of the two loans. But having been provided with further evidence and submissions by Mrs B, she changed her finding for the second loan, deciding that on balance NatWest ought not to have approved it.

As the estate disagrees with our investigator's finding, the complaint has been passed to me for an ombudsman's 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide this complaint.

Having carefully considered everything, I've reached a finding that's broadly the same as our investigator.

I'll now look at each of the two loans in turn:

### Loan 1 – April 2020

NatWest needed to make sure that it didn't lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay before providing these loans.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

NatWest says it agreed to Mr B's first loan after carrying out checks to verify Mr B's monthly income, checking his credit history and carrying out affordability checks. Mr B declared his income as being £4,850. NatWest verified this by looking at Mr B's credit turnover. NatWest also checked Mr B's household costs and other existing credit commitments by looking at what he'd told them and checking this with a credit reference agency. It went on to carry out an affordability calculation.

NatWest hasn't been able to provide their full credit checks. But it *has* been able to provide details from its affordability calculation. From what I've seen NatWest didn't find any adverse markings when carrying out its checks, such as late payments or defaults, on his other borrowing. Mr B was found to have around £400 in existing credit payments each month. Having completed these checks, NatWest calculated that Mr B would have around £2,450 in disposable income available, after allowing for housing costs, living costs and other daily expenditure. So it seemed likely he'd be able to afford the loan repayments.

Having reviewed the information and evidence NatWest gathered, I'm satisfied that the checks that were completed showed that the agreement was likely to be affordable to Mr B. So I don't think NatWest acted unfairly when approving the finance application and didn't need to carry out further checks.

Nevertheless, I understand that Mrs B remains unhappy and says that NatWest didn't take into account Mr B's specific financial circumstances, including his existing credit commitments and his low income. Mrs B has also highlighted that Mr B was a known gambler.

I can see from Mr B's bank statements that he was receiving a regular income that broadly equates to that on which NatWest based its decision to lend. I realise though that going forwards, given that the pandemic and lockdown took effect from March 2020, Mr B may have experienced a drop in income, especially given his self-employed work status. And it would be open to Mr B to have sought help from NatWest at this time if he was affected by a reduction in his income. But from the available information, I haven't seen anything to show or suggest that Mr B had raised concern about this.

I've also noted the level of gambling shown in the months leading up to the loan. Whilst there was regular spending with the national lottery and a national betting business which was not insignificant, I don't consider that at this point it was enough to be a concern that might have caused NatWest to reconsider whether to lend.

I accept it's possible that Mr B's actual circumstances might not have been fully reflected either in the information he provided, or the information NatWest obtained. But what I've seen is enough to satisfy me that he had sufficient funds available to repay the loan when he applied for it.

It follows that I don't think that NatWest did anything wrong when deciding to lend to Mr B on this occasion. All the information provided suggests the checks were proportionate and that the loan was affordable and so Mr B would likely be able to repay it. So I don't think NatWest acted irresponsibly in agreeing to lend.

Loan 2 – August 2021

I've applied the same approach as I've set out above for the first loan to this second loan in considering whether NatWest completed reasonable and proportionate checks to satisfy itself that Mr B would be able to repay his second loan in a sustainable way.

NatWest applied a similar approach before agreeing this loan, checking Mr B's monthly income and working out what it thought his monthly outgoings were likely to be. Again, it's full credit check details aren't available but I have seen details from its affordability calculation.

The credit checks showed Mr B was now paying around £1,100 each month towards repaying existing debt. And there were no adverse markings on his credit file. He was found to have around £1,100 in existing credit payments each month. Having completed these checks, NatWest calculated that Mr B would have around £1,860 in disposable income available, after allowing for housing costs, living costs and other daily expenditure. So on the face of things, it seemed likely he'd be able to afford the loan repayments.

However, as noted by our investigator, by this point there was a far greater volume of gambling-related transactions. Our investigator points out that Mr B had spent a figure approaching £8,000 on such transactions in the three months leading up to the loan being approved. I'm in broad agreement with that figure. Also, there was a large number of unmarked transactions that are strongly suggestive of further gambling activity. Even if I were to discount those transactions, the overall level of spend suggests that the excessive spending on gambling could lead to a deterioration in Mr B's finances. I've also noted that by July 2021 Mr B was beginning to make regular use of his overdraft facility, being around £1,000 into it by the end of that month. So, I think there was a real risk that Mr B might be unable to meet the new loan repayments on an affordable and long-term sustainable basis. In short, had NatWest carried out better checks at the time it would likely have seen this.

It follows that, against a background of heavy gambling site use that was likely to have a significant impact on Mr B's ability to meet his household and day-to-day living costs, I consider NatWest ought to have been put on notice of the risk that he wouldn't be in a position to affordably and sustainably repay the loan without further worsening his financial position.

I've also considered whether the relationship between Mr B and NatWest might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr B results in fair compensation for him 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.

Finally, I would like to say that I am sorry to learn of Mr B's passing and the understandable impact this has had on his family. I've looked at this complaint alongside the complaints made by Mr B's estate for other NatWest products taken out by Mr B. I hope by considering these complaints together I've addressed Mrs B's concerns that the estate might have lost out by each complaint having been looked into separately. I haven't found that to be the case and it therefore hasn't changed the ultimate outcome. I hope this provides a measure of reassurance that I have considered this complaint in the context of Mr B's wider financial situation.

### **Putting things right – what NatWest need to do**

As I don't think NatWest ought to have approved the second loan, I don't think it's fair for it to be able to charge any interest or add charges under that agreement.

Mr B's estate should therefore only be responsible for the original loan amount, being £21,900. Anything Mr B paid in excess of that amount should be refunded as an overpayment.

To settle Mr B's complaint NatWest should therefore do the following:

- Refund to the estate any payments Mr B made in excess of £21,900. It should add 8% simple interest per year from the date of each overpayment to the date of settlement.

### **My final decision**

For the reasons I've explained, I'm upholding the complaint about the second loan, but not the first, and require compensation to be paid as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr B to accept or reject my decision before 13 March 2025.

Michael Goldberg

**Ombudsman**