

The complaint

Mr H complains that National Westminster Bank Plc was irresponsible in its lending to him. He wants his debt repayments refunded.

What happened

Mr H applied for a £18,250 loan from NatWest on 29 October 2021. He said at the time he already had a lot of other unsecured debt and had taken out a large loan with NatWest a few months before. He said that adequate checks would have shown that the lending was unaffordable.

NatWest issued a response to Mr H's complaint dated 24 July 2024. It said that Mr H had been provided with a £10,850 loan in January 2021 and applied for a £18,250 loan on 29 October 2021. It said the application was made online with no staff involvement. NatWest said that as part of the loan application process Mr H was asked to declare his net monthly income which he said was £2,400. It checked this against Mr H's account and his income was confirmed. It considered Mr H's other credit commitments (including his existing loan with NatWest) and assessed his application against its lending criteria. It didn't accept that the loan had been provided irresponsibly.

Mr H referred his complaint to this service. He said that he had been provided with another loan around the same time and that his irresponsible lending complaint for that loan had been upheld.

Our investigator noted the checks that NatWest undertook. She noted the size and term of the loan and the cost of the repayments and thought that further checks should have taken place.

Our investigator considered what further checks would have shown. She looked at Mr H's credit report and saw that Mr H had several outstanding accounts including four credit card accounts and that the payments on these were up to date. She found that Mr H was paying around £838 a month towards his existing credit commitments (before this new loan was provided). However, she noted that the new NatWest loan was for debt consolidation - repaying Mr H's existing NatWest loan and another loan. She looked at Mr H's statements and these confirmed his monthly net income as being around £2,400 and she thought it reasonable that NatWest relied on its own calculation to assess the affordability of the loan. Based on this she thought it reasonable that the loan was considered affordable and didn't uphold this complaint.

Mr H didn't agree with our investigator's view. He said he took out a loan with another finance provider on the same day and that had been found by this service to be irresponsible. He said his bank statements showed he was struggling with debts and this new lending increased the total amount he was needing to repay. He said that the only way he made his repayments was by taking out more debt.

Our investigator responded to the points Mr H had raised. She said that NatWest used its own affordability calculations to estimate Mr H's expenditure and she thought this was

reasonable given his income had been verified and his credit report had no adverse information recorded. She noted the comment about Mr H's other loan complaint being upheld but said that was a separate complaint and also noted the loan was taken out after this NatWest loan.

My provisional conclusions

I issued a provisional decision upholding this complaint. The details of this are set out below.

This decision relates to the loan Mr H applied for on 29 October 2021. The loan was for £18,250 and was used to settle an existing loan with NatWest (around £10,186) as well as provide new lending of around £8,064. The loan had a term of 84 months with monthly repayments of around £368.

Before the lending was provided, NatWest asked about Mr H's income, and this was validated through his account turnover. Mr H's expenditure was calculated based on the information Mr H provided and data from the credit reference agencies. A credit check was undertaken which didn't raise any concerns. I have considered the information received through NatWest's checks and can see that Mr H's monthly income was validated as £2,400. The credit check didn't raise concerns about how Mr H was managing his existing credit commitments. However, it did show that Mr H had other debts outstanding at the time and noting his history of borrowing from NatWest, I think it would have been reasonable to use the information NatWest had available to it from Mr H's NatWest bank account to check the new lending would be sustainably affordable for him.

I have compared the information NatWest used in its affordability assessment with the information shown in Mr H's bank statements. NatWest included an amount of £535 for Mr H's existing credit commitments. This amount is supported by his statements (excluding the January 2021 NatWest loan which was to be repaid by this loan). Mr H took out a loan with another finance provider for £12,000 at the same time as he applied for this NatWest loan but given the timing, I do not find that the £12,000 loan would have been shown on his credit report and no evidence was in his bank statements at that time. Therefore, I do not find I can say that NatWest should have been aware of this and included it in its assessment. That said, I also accept that while Mr H repaid other loans following the receipt of funds, he had also received further loans, and so I find it reasonable to base the assessment on Mr H repaying the NatWest loan out of the new NatWest loan proceeds and the remainder being additional lending.

NatWest included £30 a month for Mr H's credit card payments and his statements show regular payments of £40. This gives total existing credit commitments of around £575 a month.

Looking at Mr H's other costs, he was paying regular amounts for insurance, car related costs (including fuel) and communication contracts totalling around £255 a month. Mr H was recorded as a homeowner and his credit report records a joint mortgage with monthly repayments of £748. Mr H has said that his partner paid the mortgage and bills and that he made payments to her for his contribution. He said his contribution included £110 for the main weekly food shop and he also paid for extra smaller shops during the month.

Looking at Mr H's bank statements, there are several payments to his partner labelled rent/ mortgage. These payments vary significantly over the months leading up to Mr H's loan application although there appears to be a regular weekly payment of £130. Without evidence to show what all of these payments were for I do not think it reasonable to include the full amount as being essential bills. Instead, I have taken the weekly payment of £130 (around £560 a month) to be his housing costs which appears reasonable based on half the

mortgage being £374 a month and then additional costs for bills. Mr H has also said that he paid for the main weekly shop which was £110 a week (around £476 a month).

Based on an income of £2,400, housing costs of £560, existing credit commitments of around £575 (loans and credit card but not including payments for his overdraft), his other costs for insurances, phone contracts and fuel of around £255 and food of around £476 would leave disposable income before the new NatWest loan of around £533. Deducting the loan repayments of £367 would leave disposable income of around £166. While this is a positive amount, it doesn't include any additional payments towards the household costs (aside from the £130 a week) which are suggested by Mr H's statements or additional food shops or general living costs and leaves little for any unforeseen expenses or any increase in costs.

Given the term of the loan, the size of the repayments and the limited disposable income, I find this raises concerns that the repayments may not be sustainably affordable for Mr H over the loan term. I also note that including the new NatWest loan repayments in the calculation of Mr H's total monthly credit commitments would result in him paying almost 40% of his income on credit commitments.

Taking all of the above into account, I think that proportionate checks should have raised concerns that the loan wasn't sustainably affordable for Mr H. Therefore, I am upholding this complaint.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mr H has complained about, including whether its relationship with Mr H might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr H 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.

Mr H accepted the provisional decision and NatWest confirmed it had no further information to add.

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.

I note Mr H's comment about having another complaint upheld but each complaint is assessed on its individual merits. 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.

As both parties confirmed they had no new information to add in response to my provisional decision (and Mr H accepted it), my conclusions haven't changed.

For the reasons I set out in my provisional decision, and recorded above, I think that proportionate checks would have raised concerns about whether the loan provided in October 2021, would be affordable for Mr H over the loan term. Therefore, I uphold this

complaint.

Putting things right

Mr H has had the benefit of the loan, so I think it's fair that he repays the amount that he borrowed. However, because the lending was irresponsible and Mr H has paid extra for lending which should not have been provided, NatWest should refund all interest and charges.

To put things right, NatWest should:

- Add up the total amount of money Mr H received as a result of being given the loan. Deduct all repayments made by Mr H from this amount.
 - a) if this results in Mr H having paid more than he received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made to the date of settlement *
 - b) if any capital balance remains outstanding, NatWest should arrange an affordable payment plan with Mr H.
- Remove any negative information recorded on Mr H's credit file in relation to the loan.

*HMRC require NatWest to take off tax from the interest. It must give Mr H a certificate showing how much tax has been taken off if he asks for this.

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 H to accept or reject my decision before 20 February 2025.

Jane Archer
Ombudsman