

The complaint

Mr M has complained that NatWest acted irresponsibly when it provided him with a loan for £7,500 in December 2022.

Background

Mr M applied for a loan, and two credit cards, with NatWest in December 2022. All three forms of credit were approved. Mr M has since explained that at the time he was gambling in a compulsive and harmful way. He states all the credit provided by NatWest was used to support his gambling problem and ultimately caused him financial harm. He thinks that NatWest should have realised he was overextended financially and shouldn't have given him access to more credit. He has asked for the balances on his accounts to be written off.

NatWest has said that at the time Mr M applied for the loan it ran all the necessary checks to ensure it was both affordable and sustainable for him. Having done so it decided that the loan was affordable and approved it for him. It notes that Mr M repaid the loan early and in full in 2023 and that he never mentioned anything about it being unaffordable to him at the time. So, it didn't think there was anything to indicate the loan caused Mr M problems or was provided to him irresponsibly and so it didn't uphold his complaint.

Unhappy with NatWest's response Mr M brought his complaint to our service. I issued a provisional decision on 27 January 2025 explaining that I intend on upholding Mr M's complaint. I asked both parties to respond by 10 February 2025 with any new information or evidence they wanted me to consider.

Both Mr M and NatWest have responded to my decision confirming they had nothing further to add. As no new evidence has been submitted by either party my findings remain the same and I am therefore upholding Mr M's complaint. For the sake of clarity, I will repeat those findings here.

My findings

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

It is important to clarify that this decision is only considering whether NatWest should have approved Mr M's application for the loan taken on 6 December 2022. It is not looking at the applications for the two credit cards, which happened a week or so later, as they will be considered elsewhere.

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, the

total cost of the credit and what it knew about the consumer at the time of application.

We asked NatWest what checks it completed when Mr M applied for a loan. It explained it reviewed the information in his credit file to understand what his existing commitments were and how he was managing those accounts. It also reviewed a joint NatWest bank account he held with his partner and asked him to complete an income and expenditure form. Having completed those checks it felt it had gathered sufficient information to decide that the loan was affordable and would be sustainable for Mr M over the term of the contract.

However, I disagree with NatWest regarding whether those checks were sufficient. As explained above, there is no prescriptive list of checks that must be completed. What checks are done will be influenced by the amount of lending, the term of the lending, and the type of credit. So, the checks completed when someone is applying for a mortgage will be very different to the checks completed when someone is applying for a credit card with a low limit.

In Mr M's case he was applying for a £7,500 loan over a term of 75 months, which is more than 6 years. So, I think the bank should have carefully considered his existing credit situation to ensure it was genuinely sustainable over the long term of the loan.

Looking at Mr M's credit file I can see he applied for two loans 2022, both for £8,800, from two different lenders. He also applied for, and opened, a total of seven credit cards in the twelve months before approaching NatWest for this loan. I do note one of those credit cards was opened days before Mr M applied for the loan so I accept that wouldn't have been on his file. But the rest were all opened between February and early October 2022 so would all have been visible on Mr M's report at the time he applied.

I think the fact that Mr M had applied for so many new forms of credit, and had increased his overall indebtedness by so much, in the months running up to him applying for this loan with NatWest, should have resulted in the bank asking for more information and completing more thorough checks than it did.

NatWest has said that it reviewed the bank statements of the joint account Mr M held with his partner at the time and was satisfied based on those that he had sufficient disposable income to cover the repayments each month. I've also reviewed those statements, and asked Mr M about them, to understand what it was the bank saw at the time.

Having done so I can see this account was the one the main household bills, including mortgage, was paid out of each month. Mr M transfers money into it, as does his partner, and then various direct debits and standing orders are paid out of it. I agree that there is no evidence of stress on the account, there are no failed payments for example, but it is also clear it wasn't Mr M's main bank account as it's not the one his wages are paid into and there is no day to day spending evident on it.

Therefore, I think it would have been more useful for NatWest to ask to see statements from Mr M's main bank account, i.e. the one his salary was paid into. And if it had done that, it would have seen multiple daily gambling transactions, as well as evidence of other lending in the form of loans and multiple credit card transactions. And if NatWest had seen the volume of Mr M's gambling, which he has estimated was as much as 60-70% of his annual salary at the time, as well as how much credit he was accessing elsewhere, I don't think it would have approved the loan for him.

NatWest has said that Mr M repaid the loan in full and early and so there was no indication it was unaffordable as he now alleges it was. Mr M has confirmed that a family member intervened at the time and repaid the loan for him. I appreciate Mr M disclosing this to us and I don't agree with the assumption made by NatWest regarding the early repayment being an

automatic indicator that the loan was affordable.

Therefore, I am upholding Mr M's complaint on the basis that NatWest shouldn't have provided him with the loan in December 2022 as it wasn't affordable for him.

Putting things right

In order to put things right NatWest should:

- Refund all the interest and charges added onto the capital amount Mr M borrowed in December 2022, adding 8% simple interest to that amount*

*HM Revenue & Customs requires National Westminster Bank Plc to take off tax from this interest. National Westminster Bank Plc must give Mr M a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons set out above I am upholding Mr M's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 February 2025.

Karen Hanlon
Ombudsman