

## The complaint

Ms B has complained that National Westminster Bank Plc (“NatWest”) gave her loans she couldn’t afford to repay because it didn’t carry out sufficient affordability checks before lending.

## What happened

NatWest seems to have granted a total of five loans to Ms B but as part of her complaint, she only asked for the final three to be considered. Those three loans can be found in the table below.

loan number	loan amount	application date	APR	number of monthly instalments	monthly repayment per loan	total combined monthly repayment
1	£19,850.00	02/02/2022	12.5%	60	£441.44	£441.44
2	£8,000.00	03/08/2022	21.9%	63	£222.07	£663.51
3	£6,000.00	29/06/2023	29%	36	£243.32	£906.83

All of these loans overlapped, and the combined monthly repayment Ms B had to NatWest can be found in the end column. An outstanding balance remains due on all the loans.

Following Ms B’s complaint NatWest wrote to her and explained why it wasn’t going to uphold the complaint as it thought the checks it conducted showed the loans to be affordable. Unhappy with this response, Ms B referred the complaint to the Financial Ombudsman.

The complaint was then considered by an investigator who didn’t uphold it. Ms B didn’t agree with the investigator’s conclusions. These points didn’t change the investigator’s mind, so the complaint was passed to me. I then issued a provisional decision explaining the reasons why I was intending to uphold Ms B’s complaint in part.

Both parties were asked to provide any further submissions as soon as possible, but in any event, no later than 31 January 2025.

NatWest responded saying it agreed to put things right for Ms B as directed in the provisional decision.

Ms B responded and provided a detailed explanation as to the impact these loans have had on both her health. Ms B also shared some of the treatment that she’s receiving and going to be receiving in the future. I’ve not listed everything she’s said here to protect her privacy, but I want to reassure Ms B that I’ve read in full what she’s provided.

A copy of the provisional findings follows this and forms part of this final decision.

## What I said in my provisional decision:

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

*We've set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I've used this approach to help me decide Ms B's complaint.*

*NatWest needed to make sure it didn't lend irresponsibly. In practice, this meant it needed to carry out proportionate checks to be able to understand whether Ms B could afford to repay any credit it provided.*

*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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.*

*But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.*

*I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Ms B's complaint. Having looked at everything I have provisionally decided to uphold Ms B's complaint in part and I've explained why below.*

*NatWest has explained the checks that were carried out before each loan. It says, it relied on Ms B's declared income and from this it worked out her housing payments, existing loan repayments, credit card payments, other expenditure and her living costs. This left an amount which NatWest said was sufficient to afford the loan repayments.*

*Credit searches were also conducted in order to check for any adverse payment information on other accounts. NatWest says for each application there was no adverse information such as defaults, court judgements or other types of insolvency.*

### **Loan 1**

*As a starting point, NatWest as the lender was entitled to rely on the information Ms B gave in her application – unless NatWest knew, or ought to have known that what she declared was inaccurate. Based on the information gathered from Ms B NatWest says the loan looked affordable.*

*NatWest says this loan was for "...refinance..." and I can see from the statement of account provided to us that Ms B received just over £9,000 of new money because the remaining amount – a little over £10,000 was used to settle a previous loan. I think this was likely one of the earlier NatWest loans that Ms B hasn't complaint about.*

*NatWest was told that Ms B's income was £2,500 per month, which NatWest says matched the amount of money being received into one of Ms B's current account. She also said her rent / mortgage was £480 per month she didn't have any existing credit commitment and the documents provided showed Ms B didn't declare any other living costs either – which just isn't plausible.*

*NatWest says a credit search would've been carried out and it says that there were no defaults, insolvencies or County Court Judgements (CCJs). It says there wasn't anything within the results to prompt further checks.*

*However, like the investigator I'm satisfied that the checks didn't go far enough. This was at least Ms B's second loan from NatWest in four months – although the lending decision for the previous loan isn't subject to this decision, it was nonetheless taken and it seems, as I've*

said above from the statement of account for loan 1, was used to clear an earlier NatWest loan.

NatWest was therefore on notice this loan was for consolidating an existing loan and in certain circumstances that doesn't mean NatWest was wrong to have lent. But, it does seem, that Ms B was in need of further credit only months after being advanced over £11,000. This ought to have led NatWest to question why Ms B seemed to have the need for further funds shortly after being granted a loan.

In addition, it does seem that NatWest approved this loan with only a minimal understanding of what Ms B's living costs were. This has led me to conclude further checks were needed before advancing this loan.

To be clear, this doesn't mean that the loan shouldn't have been granted nor that NatWest had to conduct a full financial review of Ms B's circumstances. But what it ought to have done is considered whether it knew enough about Ms B's circumstances such as her income and her living costs.

NatWest could've gone about checking her income and expenditure a number of ways, it could've asked for a payslip, other documentation or reviewed the bank statements that it had access to as Ms B was an account holder with it.

Ms B has provided me copy statements from around the time this loan was approved, and so I think it's entirely fair and reasonable to have considered these to get an understanding of Ms B's costs at the time.

Had NatWest checked the information provided by Ms B it would've seen her income wasn't quite as large as NatWest calculated. Her income from benefits was around £2,268 per month.

I've taken on board what Ms B says about one of the benefits being for her son, but nonetheless the benefits did form part of the household income and I don't think NatWest was wrong to have lent to her solely because she received benefits.

Ms B says she had rent payments of £480 and then she had direct debit costs each month of around £300. Of course, on top of that there were other costs for things like food, petrol and other child related costs.

Finally, while Ms B was repaying her previous loan that was going to be replaced with this current loan costing around £441 per month. So, Ms B's living costs came to at a minimum of £1,221. This left around the same amount again to pay for other living costs that she had such as food.

Overall, I'm not persuaded NatWest conducted proportionate checks before advancing this loan. But even if it had made further enquires with Ms B about her day to day living costs and her income it would've still decided to have lent the money. I am therefore intending to not uphold Ms B's complaint about this loan.

## **Loan 2**

The same sort of checks was carried out before this loan was advanced. Ms B declared she earned the same income at £2,500 per month and NatWest calculated the loan to be affordable based of a mortgage / rent cost of £480 per month.

However, NatWest was again told this loan was for refinancing, but this time the loan didn't go towards repaying loan 1, so I can only assume Ms B took this loan to refinance other debt that she had. While, this loan had a repayment of around £222 per month but as loan 1 was still running at the same time NatWest needed to understand whether Ms B would be in a position to afford total monthly repayments of around £633.

NatWest also ought to have been concerned that Ms B appeared to need to borrow another £6,000 only six months after taking a loan for over £11,000 and she was taking the loan for the same reasons.

NatWest then asked Ms B details of her housing costs and other living costs. It then took account of existing creditors and her existing loan payments. As with loan 1 NatWest calculated a sufficiently large disposable income to enable Ms B to afford her loan payments.

A credit search was also carried out and this time, it looks like NatWest was told there was around £178 of existing credit card repayments and it said that there was again no adverse credit file data. This is supported by the credit file Ms B has provided.

While the loan appeared affordable, I also have to consider that this was another consolidation loan being taken out only six months after the previous one. The interest rate had also increased, and Ms B was once again making repayments over 5 years. This ought to have prompted some further checks from NatWest before it lent to her. I do think NatWest needed to undertake a more thorough assessment of Ms B's finances. I think this would've including checking her income and gaining an understanding of her actual living costs.

As before, I have copy bank statements from around the time the loan was granted and so I think it's fair and reasonable to assess these bearing in mind that Ms B was a NatWest customer and so this information would've been readily available to it.

Ms B's income was broadly the same as she had received for loan 1 – and so her income wasn't quite as high as NatWest believed.

I can then see all her direct debit payments that have been made for a number of creditors including mobile phone, internet, insurances and credit cards. And on top of this she had food and petrol costs. Including the loan repayments she was committed to paying, I think Ms B's outgoings come to just over £2,000 per month.

The bank statements provided don't show any problems managing her existing creditors such as returned direct debits and her credit file also showed that she wasn't having problems.

So, in those circumstances, where Ms B appeared to be managing her payments well and had sufficient disposable income – which NatWest would've also discovered had it carried out a proportionate check, I am therefore proposing not to uphold her complaint about this loan.

### **Loan 3**

Ten months after taking out loan 2, Ms B returned for another consolidation loan. Loan 3 was taken out with the shortest term but it had the largest APR of her loans I'm considering.

In addition, as loans 1 and 2 were due to run concurrently, NatWest would've realised in total, Ms B would need to pay it just over £900 per month in order to repay the outstanding loans that she had at the time. Indeed, in a little over 16 months Ms B had borrowed nearly £34,000 from NatWest.

NatWest carried out the same sort of checks as it had done for the previous loans, this is despite the fact that Ms B was further increasing her indebtedness. So, I'm intending to conclude the checks before this loan were given weren't proportionate. This is despite the fact NatWest says the checks it carried out showed the loan to be affordable and Ms B's declared income had increased to £3,200 per month.

NatWest then asked Ms B details of her housing costs and other living costs. It then took account of existing creditors and her existing loan payments. As with loans 1 and 2 NatWest calculated a sufficiently large disposable income to enable Ms B to afford her loan payments.

*However, this was now the third loan that was going to be running concurrently and with the factors I've mentioned above, I do think NatWest did need to do more before lending. And as with the previous loans it could've gone about checking Ms B's information a number of ways, it could've used her bank statements – which it had access to or asked for any other documentation it felt it needed to obtain in order to have carried out a proportionate check.*

*NatWest has said that it checked Ms B's income that was received into account ending 014. However, in May 2023, Ms B continued to receive the same benefits she'd received for previous loans. While these had now increased per month since loans 1 and 2 these still only came to £2,500 – her income as far as I can see wasn't at £3,200 as she had declared. Even in June 2023, where the extra cost of living payment is received it only increases the income by a further £150 per month.*

*So, I'm satisfied had a proportionate check been conducted NatWest would've likely discovered Ms B's income wasn't as large as it believed.*

*As before, I've considered the costs that I can see in the bank statements, including food and all the direct debit costs Ms B had to cover utilities, 'buy now pay later' products, insurances, mobile phone, credit card and catalogue / store card accounts. To this I've also added the food costs as well as the petrol costs that I can see. These costs come at least to £1,220 per month.*

*To this I've also considered the costs Ms B had to NatWest each month, which was £906 as well as the self-declared rent costs of £520. Adding all of this comes to around £2,600 per month. Of course, I've not counted every transaction but I think by now it was clear that Ms B wasn't in a position to take on any more debt, given her monthly income.*

*I am therefore intending to conclude that had NatWest carried out a proportionate check, it would've likely discovered Ms B couldn't afford to take on the final loan it granted her. As this is the case I've set out below what NatWest needs to do in order to put things right for her.*

### **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'm very sorry to hear about the health problems that Ms B has had, she's provided a lot of detail and that couldn't have been easy for her and so I thank her for sharing that with us. And it does seem that she is able to access the help that she needs.

I've been asked to firstly consider whether NatWest carried out proportionate checks before it lent to Ms B and in the circumstances of each application (for loan 1 and 2). I do think that it did and so it wasn't unreasonable of it to provide these loans. And although Ms B has shared important information about her health, that isn't enough for me, in the circumstances to say that NatWest ought to not have provided the first two loans.

I have no doubt that repaying these loans, has been difficult for Ms B and I do think, for the reasons given in the provisional decision that NatWest ought to have realised that by the time of loan 3 was granted. Of course, it's now agreed to pay compensation for that loan.

The debt notes provided by NatWest do show that at times it was reaching out to Ms B to see if she needed any help. It's not clear from the notes whether Ms B has been in contact with NatWest about her health. Moving forward, Ms B's balance will now reduce as a result of loan 3 being upheld, but she's also explained to me, in some detail how making the payments are unmanageable for her.

Unfortunately, it isn't my role to set the level of repayment for these loans, so she may wish to reach out to NatWest, explain her current situation and provide as much detail as she's

comfortable with and see what else it can do to assist her with the repayment of these loans. Of course, any repayment plan that is agreed needs to be mutually agreeable as well as affordable to Ms B.

I would of course remind NatWest of its obligation to treat Ms B fairly and with forbearance and if Ms B has any concerns with her treatment then she is of course free to raise those concerns with NatWest directly.

Overall, I've not been provided with sufficient new information to alter my view on the complaint, I still think NatWest ought to not have provided loan 3 and I've set out below what it has already agreed to do to put things right for Ms B.

Finally, I've also considered whether NatWest acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Ms B in the circumstances of her complaint. And I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

As I don't think NatWest should've granted Ms B loan 3. It therefore follows that I don't think Ms B should have to pay interest fees and charges for that lending. I've set out below what NatWest needs to do in order to put things for Ms B.

- A. NatWest should remove all interest, fees and charges from the balance of loan 3, and treat any repayments made by Ms B as though they had been repayments of the principal. If this results in Ms B having made overpayments then NatWest should refund these overpayments with 8% simple interest\* calculated on the overpayments, from the date the overpayments would have arisen, to the date the complaint is settled.
- B. However, if there is still an outstanding balance due for loan 3 then NatWest should try to agree an affordable repayment plan with Ms B. I would remind NatWest of its obligation to treat her fairly and with forbearance.
- C. If after carrying out the above, no outstanding balance remains due then NatWest should remove any adverse information recorded on Ms B's credit file in relation to loan 3.

\*HM Revenue & Customs requires NatWest to deduct tax from this interest. NatWest should give Ms B a certificate showing how much tax it has deducted, if she asks for one.

### **My final decision**

For the reasons I've explained above and in the provisional decision, I'm upholding Ms B's complaint in part.

National Westminster Bank Plc should put things right for Ms B as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 7 March 2025.

Robert Walker  
**Ombudsman**