

The complaint

Ms L complains that Bank of Scotland plc was irresponsible in its lending to her.

What happened

Ms L was provided with two loans by BoS.

Loan	Amount	Date	Term	Monthly repayments
1	£3,000	October 2018	60 months	£86.13
2	£3,000	January 2023	26 months	£148.58

Ms L said that the first loan was provided at the height of her borrowing issues. She said she had an overdraft with BoS that had been utilised over an extended period and that her account showed missed payments. Regarding the second loan, Ms L said that she was attempting to consolidate her debts and she had multiple loans and credit cards. Ms L said that adequate checks weren't carried out before the loans were provided and that the loans were unaffordable.

BoS issued a final response to Ms L's complaint dated 7 June 2024. It said that when Ms L applied for the first loan, she declared she was working part time with a monthly income of £1,760. She said she paid £460 for rent/mortgage and was single with one dependent. It said it used the information Ms L provided along with data from the credit reference agencies and based on its checks the loan was affordable.

Regarding the second loan, BoS said Ms L declared that she was working full time with a monthly income of £2,150 and rent/mortgage costs of £460 and expenses of £50. It used this information along with data from the credit reference agencies and third-party data to assess the application and said that Ms L passed its checks.

BoS didn't accept that it had lent irresponsibly to Ms L and didn't uphold her complaint.

Ms L referred her complaint to this service.

Our investigator thought that additional checks should have been carried out before the loans were provided. He looked through the information contained in Ms L's bank statements and her credit file to understand what additional checks would likely have identified. As these didn't suggest the lending was unaffordable, he didn't uphold this complaint.

Ms L didn't agree with our investigator's view. She said she didn't accept the lending was responsible reiterating that she had multiple credit cards and borrowing at the time. Ms L also didn't agree that the calculated disposable income for loan one was enough for her and her child and said this resulted in her taking on more debt.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a 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.

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.

Ms L was provided with two loans, each for £3,000. Before the loans were provided, BoS gathered information about Ms L's marital and residential status, dependents, employment, income and rent/mortgage costs. While BoS has said that it used data from the credit reference agencies, the information provided only shows Ms L's loan history and doesn't detail her other existing credit commitments at the time. BoS also had access to Ms L's bank account transactions.

Given the size and terms of the loans I think BoS was required to get a clear understanding of Ms L's financial circumstances at the time of lending. I think further analysis of her income and expenses should have happened and I have therefore looked through Ms L's credit file and her bank statements to understand what further checks would likely have identified.

Loan 1: October 2018

Having looked through Ms L's account statements these show in the months leading up to the loan, she was receiving monthly income of around £1,400. This was slightly lower than the amount she had declared. Ms L's housing costs were £460 as she had declared, and her monthly credit commitments were around £130. Additional to this Ms L was paying around £340 for costs including utilities, mobile phone contract, council tax and general living costs such as food. Based on these figures, Ms L would be left with disposable income of around £380 after the BoS loan repayments. While I note Ms L's comment about this not being sufficient for her and her child, as the calculations have included general living costs such as food, I do not find I can say that further checks would have shown this loan to be unaffordable.

The credit report Ms L provided is from 2024. Therefore, it contains limited information in regard to her circumstances at the time of the October 2018 loan. However, the information I have seen doesn't raise concerns about how Ms L was managing her commitments.

Taking the above into account, I do not find I can say BoS was wrong to provide this loan.

Loan 2: January 2023

Ms L maintained her payments on the first loan and repaid it early in March 2022. Therefore, I do not find her previous loan account management should have raised any concerns. Her credit report didn't suggest that she was struggling to manage her commitments at the time, with no adverse information recorded.

Having looked through Ms L's account statements these show in the months leading up to the loan, she was receiving monthly income of around £2,650 and her housing costs were £460. Ms L's monthly credit commitments were around £400 and her other expenses for costs such as utilities, insurance, communications / media contracts and living costs such as food were around £640. Based on these figures, Ms L would be left with disposable income of around £1,000 after the BoS loan repayments.

Based on the above, I do not find I can say BoS was wrong to provide this loan.

In conclusion, while I think further checks should have been undertaken before the loans were provided, I do not find that had these happened, they would have shown the lending to be unaffordable. Therefore, I do not uphold this complaint.

I've also considered whether Bos acted unfairly or unreasonably in some other way given what Ms L has complained about, including whether its relationship with Ms L might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think BoS lent irresponsibly to Ms L or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 8 April 2025.

Jane Archer
Ombudsman