

## The complaint

Mr E has complained that National Westminster Bank Plc (“NatWest”) gave him loans between 2020 and 2023 which shouldn’t have been granted due to the increasing size of the loans, the interest applied to each loan as well as his other external debts.

## What happened

The loans subject to this complaint have been outlined in the table below. There were two further loans taken in 2015 but these are not part of this complaint.

loan	amount	application date	Closure date	APR	monthly term	monthly repayment per loan	combined monthly repayment
1	£5,000.00	02/09/2020	13/02/2023	15.9%	60	£118.52	£118.52
2	£9,000.00	15/06/2021	outstanding	20.9%	60	£232.55	£351.07
3	£7,500.00	08/02/2022	02/05/2023	25.9%	60	£211.25	£562.32
4	£12,750.00	02/05/2023	outstanding	23%	48	£393.70	£626.25
5	£7,250.00	27/12/2023	outstanding	27%	60	£209.00	£835.25

Some of these loans overlapped, and the combined monthly repayment Mr E had to NatWest can be found in the end column. An outstanding balance remains due for loans 2, 4 and 5.

Following Mr E’s complaint NatWest wrote to him and explained it wasn’t going to uphold the complaint as the checks it conducted showed the loans to be affordable. Unhappy with this response, Mr E referred the complaint to the Financial Ombudsman.

The complaint was considered by an investigator who didn’t uphold it about loans 1 to 4. However, she upheld loan 5 because Mr E’s indebtedness had increased, and he would be required to spend close to 50% of his income to service his loan payments to NatWest.

NatWest agreed that it would uphold the complaint about loan 5 only. In addition to the compensation outlined by the investigator it also agreed, as a gesture of goodwill to write off the remaining balance of around £900. This would bring loan 5 to a nil balance.

Mr E didn’t accept the offer and as no agreement could be reached the complaint was passed to me. I then issued a provisional decision explaining the reasons why I was intending to uphold Mr E’s complaint in part.

Both parties were asked for any further submissions, but these needed to have reached me by 14 February 2025.

NatWest responded and said it agreed with the provisional decision. Mr E also responded, and he appears to agree with the findings in relation to loans 1, 2 and 5. But I’ve summarised his response below about loans 3 and 4.

Mr E said he was content with the rest of the findings. But for loan 3, on the calculations provided, he was only left with around £650 per month to live on. For loan 4, Mr E had moved location and was now living in a more expensive part of the country which further eroded his disposable income. Mr E was a repeat borrowing – taking out a much larger loan than loan 3. His external debts had increased.

A copy of the provisional findings follows this in smaller font and form 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 Mr E's complaint.*

*NatWest needed to make sure it didn't lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mr E 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 Mr E's complaint. Having looked at everything I have provisionally decided to uphold Mr E's complaint about loan 5 only I've explained why below.*

*NatWest has explained the checks that were carried out before each loan. It says, Mr E was asked about his income and his outgoings. This left a "...net free funds figure..." that is then used to assess the affordability of the loans. NatWest also carried out a credit search and used the results it received as part of the affordability assessment. However, it confirmed the credit reference search for the loans granted in 2020 and 2021 are no longer available.*

#### **Loan 1**

*The investigator didn't uphold this loan, and for reasons already explained to Mr E, I do have some concerns about whether this loan was in jurisdiction, given he previously made a complaint about it and received a final response letter from NatWest in June 2021.*

*However, given what Mr E has said in his response to the assessment, I'm not going to be reviewing this loan any further and I make no finding about. But I have kept this loan in mind while thinking about the other loans he was granted.*

#### **Loan 2**

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

affordable.

NatWest says this loan was for "...personal expenditure..." and I can see from the statement of account provided to us that Mr E received the full amount of the loan funds. And Mr E's first loan was still running, so NatWest needed to consider whether Mr E would be in a position to afford the combined monthly repayment due of £351.07.

NatWest was told that Mr E's income was £1,830 per month, it isn't clear whether NatWest took steps to verify this. It has suggested that it would've looked at its relationship with Mr E and given he was an account holder, it could've easily discovered whether what he declared was accurate. And if NatWest had checked his bank account for a salary it would've seen this amount was broadly accurate.

NatWest says a credit search would've been carried out and it says that the results didn't indicate that he had any problems managing his existing credit commitments. It says there were no defaults, insolvencies or County Court Judgements (CCJs). It says there wasn't anything within the results to prompt further checks.

But NatWest says that it can't provide the credit check results that it received. However, Mr E has provided a copy of his credit file and I've looked at this to see whether there was anything contained within it that would've been of concern for NatWest. I've not seen anything from his credit file to show he had any defaults or missed payments in the months leading up to the loan being approved. So, I don't think the credit search results, would've led NatWest to conclude it needed to conduct further checks.

But what NatWest has been able to provide, is that it was told his "Non-RBS loan payments" were £324 per month. To me, and I agree with Mr E about this – that the £324 amount is his payments to other creditors excluding the first loan. But of course, with loans 1 and 2 outstanding it would've led total monthly repayments to all creditors of around £675.

I accept that this is smaller than the amount Mr E has calculated – which he says at the time his commitments were at least £804 per month. But, that wasn't reflected in the information given to NatWest as part of the credit search – and I think in the circumstances, it was fair for NatWest to have relied on the results that it received.

I accept that NatWest may not have asked Mr E for further information about his household bills and expenditure – it did know he had rent / mortgage of around £425 per month. However, given what would be left over from his monthly income once his payments were deducted, I'm satisfied that a detailed breakdown of Mr E's non-credit related expenditure wasn't necessary here.

As these checks are likely to have shown that Mr E had sufficient disposable income to make the required payments, I've therefore provisionally decided to not uphold his complaint about this loan.

### Loan 3

Mr E's first two loans were still running when this loan was advanced, so NatWest needed to consider whether Mr E could afford combined monthly repayments of around £562 – and not just the contracted repayment for this loan - £211.25.

This was another loan from NatWest that Mr E had taken for "...personal expenditure..." and it was only taken eight months after loan 2 was granted. Although, it's worth saying here that Mr E hadn't had any problems repaying previous loans.

The same sort of checks were carried out before this loan was advanced. Mr E declared his income had increased to £2,450 per month, with housing costs of at least £325 per month. NatWest's own checks showed that it did trigger some sort of warning at this time – it looks like it was concerned about the rent payment. But NatWest says no anomalies were found and the information was consistent with the other information Mr E had given to NatWest.

NatWest also carried out a credit search at the time of this loan, and it was told that his other commitments – and the same caveats apply to the results that it received – which suggested that Mr E's monthly debt payments had increased – as these other costs were now £768 per month.

The rest of the results that it's been able to provide don't suggest that Mr E was having or likely having financial difficulties. And while Mr E's own calculations of what his existing credit commitments were larger than what NatWest ought to have known. Nonetheless I still think NatWest was still just about able to rely on the results it was given.

I do have some concerns with the checks though. This was the second loan within a matter of months – and it was being taken for the same reason as the last loan – for personal expenditure. And as before it didn't seem to have any idea of what other non-credit related expenditure he had each month.

However, having a look at Mr E's bank statements – which is just one of the way NatWest could've gone about looking at some of Mr E's expenditure. Still, had NatWest would've taken some sort of steps to work these other costs out – I still think it would've like seen that Mr E's loan payments were just about affordable for him.

Mr E's NatWest current account does occasionally go overdrawn, but I don't think that on its own would've been sufficient to say that NatWest shouldn't have lent especially in a situation where his other loans appeared to be repaid within the terms and conditions and the credit file didn't highlight any concerns.

I am therefore planning not to uphold Mr E's complaint about this loan.

#### Loan 4

By the time of this loan application Mr E had settled loan 1. So only loans 2 and 3 remained. But this loan was taken for consolidation purposes and I can see that just over £6,000 went towards repaying 3. This was also Mr E's fourth loan in a little under three years where he had, with this loan borrowed a total of £34,250.

The remaining loan balance was credited to Mr E's account and the credit agreement is noted that this was to be used for personal expenditure. Once again, it seems that Mr E was taking another loan for an unspecified reason.

As before, NatWest wasn't being asked to consider whether Mr E could afford a loan payment of £393, it was being asked to consider, whether Mr E could afford a combined monthly loan payment of £626.25.

NatWest didn't appear to vary its checks. It still took details of Mr E's income which has been recorded as £3,500 per month. It also took details of Mr E's housing costs which this time came to £883 along with "Non RBS loan payments" of £614.73.

Again, it doesn't look like there was any information collected from Mr E about his other living costs and the credit search results provided by NatWest don't suggest that he was having or likely having financial difficulties either.

However, I have concerns that other than carrying out credit checks, NatWest's checks for loan 4 appear to be based mainly on Mr E's declaration of income and some limited information about his housing costs. I accept NatWest may have done some further checks, as outlined in the final response letter, but it hasn't provided the figures that it used. Even though, by this stage it was clear Mr E was a repeat borrower, given the number of loans that he had now taken from NatWest. Indeed, with all of his existing credit commitments (including this loan) Mr E would've had commitment or around £1,200 per month.

In those circumstances, NatWest did need to do more before lending. It could've gone about

*checking and verifying Mr E's information a number of ways: it could've used his 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.*

*It isn't clear whether at the time NatWest checked Mr E's income, but had it taken steps to check this it would've seen the income figure used for the affordability assessment and what was received into Mr E's account was broadly accurate. So, I'm satisfied that had a proportionate check been conducted NatWest would've likely discovered Mr E's income was accurate.*

*There also wasn't anything inherently obvious in the bank statements that suggest that Mr E was having financial difficulties. There were no returned direct debits and while he was using his overdraft at times, that doesn't lead to an application for credit to be automatically declined.*

*I've then gone on to consider the bank statements to see what it shows about Mr E's costs. I think it would've been apparent that Mr E's credit commitments were greater than what NatWest was told about in the credit search. Mr E's existing monthly credit commitments were about £730 – so with the exiting NatWest loan – that wasn't going to be repaid and after this loan was granted he would have a total monthly credit commitment of about £1,350.*

*In terms of living costs, I can see that Mr E received a contribution towards the rent from two other sources – so the payment of £885 which NatWest has noted is about right for him. But to this I can also payments for phone, utilities and council tax – these come to £463 per month. So, with the rent that is household costs of £1,348.*

*There are then some other payments that I can see to a music and streaming service costing £15 per month and other standing orders totalling £260 per month.*

*Over the course of the month, Mr E's travel seems to come to about £50 and food shops vary. But nonetheless, Mr E's living costs, total credit commitments and other payments comes to around £3,000.*

*In my view there was just about sufficient amount left over for NatWest to reasonably conclude that Mr E would in all likelihood be in a position to afford the repayments for this loan. I am therefore intending to not uphold this loan either.*

#### **Loan 5**

*The investigator upheld this loan, and recommended NatWest pay compensation in line with our approach for cases such as this. I've not seen anything to make me think the investigator was wrong to have taken this approach.*

*And NatWest has accepted the loan ought not to have been granted and has made an offer to put things right for Mr E in excess of what the investigator asked it to do. Mr E has also not said that he's unhappy with the offer NatWest made about this loan – merely that further loans should be upheld.*

*As such, I see no reason to review this loan apart from to say that NatWest should do what it has agreed to do and what I've outlined below to put things right for Mr E.*

#### **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.

NatWest didn't have anything further to add apart from confirming it would carry out the compensation payment as it had already agreed to do. Mr E, didn't have anything further

comments in relation to loans 1, 2 and 5 and so I don't need to revisit those loans again. Instead, I've looked at loan 3 and 4 afresh in the light of Mr E's comments.

In relation to loan 3, I do think NatWest was entitled to rely on the credit check results that it received as well as the rent payment given by Mr E. And as I explained in the provisional decision, NatWest needed to make some further enquiries into his non-discretionary living costs. It already knew, that with the NatWest loan payments, existing commitments and rent that it was taking up £1,665 of Mr E's income— leaving just under £800 to cover all of the other living costs Mr E may have had.

Having looked at the costs that I can see from the bank statements I still think NatWest would've likely concluded the loan was affordable. As such, further checks wouldn't have made a difference to its decision to lend, and I still don't uphold the complaint about loan 3.

Turning to loan 4. Clearly further checks were needed, regardless as whether loan 3 was settled with the balance. And I do think the conclusion stands that Mr E was a repeat borrower now – given the number of loans and values he'd taken from NatWest. But that alone doesn't mean the complaint should be upheld. Afterall, if NatWest had taken a closer look at Mr E's circumstances it still may well have decided the loan was affordable – as such it wouldn't have been wrong to have advanced it.

Mr E's bank statements do show that his situation had changed – which would coincide with his move which increased his living costs. But having considered what the bank statements show about his living costs and existing credit commitments had NatWest taken further steps – which would've been proportionate it would've still concluded Mr E could've afforded the loan.

Overall, having considered Mr E's most recent comments and what I considered when forming the provisional decision. I'm still of the opinion that had NatWest undertaken further checks into Mr E's circumstance – which I think was reasonable given the amounts that he had borrowed, it would've discovered that Mr E could afford these loan repayments. As such, it was just about reasonable of it to have lent to him.

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 Mr E 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.

NatWest shouldn't have given Mr E loan 5, and I've set out below what it needs to do in order to put things right.

### **Putting things right**

Mr E has made a counteroffer to settle the complaint – which can be found at the start of this decision, and this could be something NatWest may want to consider, but this isn't something that I will be recommending because I don't have the power to direct a lender to grant a new loan to a consumer for a specific amount of money or for a set interest rate.

As I don't think NatWest should've granted Mr E loan 5. It therefore follows that I don't think Mr E should have to pay interest fees and charges for that lending. I've set out below what NatWest has already agreed to do in order to put things right for Mr E.

- A. NatWest should remove all interest, fees and charges applied to Mr E's loan from the outset. The payments Mr E made, whether to NatWest or any third-party debt

purchaser, should be deducted from the new starting balance – the £7,250 originally lent. If Mr E has already paid NatWest more than £7,250 then it should treat any extra as overpayments. And any overpayments should be refunded to Mr E;

- B. NatWest can use any refunded to offset any outstanding balance Mr E will still likely have.
- C. It should add 8% per year simple on any overpayments, if any, from the date they were made by Mr E to the date of settlement\*
- D. As a gesture of goodwill NatWest will make a further payment to bring the loan balance to zero.
- E. As no outstanding balance will remain due then NatWest should remove any adverse information recorded on Mr E's credit file in relation to loan 5.

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

### **My final decision**

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

National Westminster Bank Plc should put things right for Mr E as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 21 March 2025.

Robert Walker  
**Ombudsman**