

## The complaint

Mr B complains that National Westminster Bank Plc irresponsibly lent him two personal loans, and that it didn't treat him fairly when he had difficulties with repayment.

## What happened

In October 2018 Mr B borrowed £7,000 from NatWest over a term of 60 months – giving a monthly repayment of £134.74. The purpose of this loan was to buy a car.

In July 2020 he borrowed £10,000, also over a term of 60 months, with a monthly repayment of £181.52. This loan was used to repay the previous loan, leaving around £5,000 to be paid to Mr B.

Mr B says that he's experienced financial difficulty more recently, which has led him to question whether the loans should have been given to him. He says he'd not taken out any credit before this, but he also took out a £4,500 overdraft on his NatWest current account in September 2018. He says that NatWest didn't carry out proper checks or make sure that the lending was affordable for him. And he says that it's not acted fairly or sympathetically more recently when he's experienced financial difficulties.

NatWest said it carried out proportionate checks to establish that both loans were affordable, and it had lent responsibly.

Our investigator didn't recommend upholding the complaint, and Mr B asked for it to be reviewed by an ombudsman. I reached a different conclusion, so I issued a provisional decision setting out my thoughts on the case.

## My provisional decision

I said:

"In deciding whether to lend, NatWest was required to consider whether the loans would be affordable and sustainable for Mr B, and to carry out proportionate checks to establish whether they were. There's no set list of checks that must be carried out – what's proportionate will depend on the circumstances of the individual case. Factors to think about include matters such as the size and duration of the loan, the overall cost, the amounts of each repayment, and so on.

In respect of the first application, Mr B said his income was £1,500 per month and that he spent £250 per month on housing costs. NatWest used £261 in housing costs, £717 in living expenses and a £350 buffer for other expenditure, leaving £172 per month. It therefore concluded that the loan was affordable. NatWest says that there were no concerns on Mr B's credit record.

NatWest says that it verified income by looking at the average credits received into Mr B's current account (he also banked with NatWest) and found that the income received into Mr B's account was more than he had declared. It took expenditure

figures from what Mr B had declared and from credit checks.

I'm not persuaded that NatWest's checks were proportionate in this case. I say that bearing in mind that Mr B's declared income was relatively low compared to the amount that he wanted to borrow. And, in particular, that in the month before this application he had applied for a £4,500 overdraft on his NatWest current account. I think that two applications for relatively large amounts of credit so close together – even if Mr B hadn't yet made use of the overdraft facility – ought to have led NatWest to carry out further checks to satisfy itself that this level of credit really was affordable for Mr B.

With that in mind, I've considered what NatWest would have found if it had carried out further checks. I think it would have been reasonable for NatWest to have carried out a more detailed check of Mr B's bank statements – beyond just calculating the average of credits received. Mr B says that he only banked with NatWest, so it wouldn't have needed to obtain statements from any other bank.

Mr B's statements in the three months leading up to the application show that he was in employment. He was paid around £375 per week as net pay into his account – which is around £1,630 per month, which broadly matches what he declared on the application.

As well as employment income, Mr B was in receipt of regular Universal Credit benefits payments. But those payments were generally transferred out again to a third party, who I assume was Mr B's partner – there were regular smaller payments as well as larger lump sums following benefits payments.

There is little regular expenditure of the sort I'd expect to see for living costs – such as rent, utility bills, and so on. But this wasn't a joint account, and there were large transfers to the third party as well as cash withdrawals. So some of that expenditure might be accounted for elsewhere. Factoring in the payments to the third party, the cash withdrawals, and payments through the current account for things like food and bills, Mr B's current account shows a surplus of income over expenditure of at least £440 in each of the three months prior to the loan application.

I'm therefore satisfied that the 2018 loan was affordable. Even though I think NatWest ought to have done more checks, I think that if it had done so, it wouldn't have found anything that should fairly have led it to refuse the application.

However, I don't think the same can be said of the second application. NatWest carried out the same checks as before, and again I don't think they were sufficient to be proportionate. In this application, Mr B's declared income had fallen to £1,200 and he wanted to borrow £10,000 – a large amount relative to his income. As his current account provider, I think NatWest ought to have done more than just calculate the average payments in to Mr B's account.

I bear in mind that, as his current account provider, the information in his bank statements was known to NatWest even if it didn't take it into account in the lending decisions.

The stated purpose of the 2018 application was to buy a car. But it's clear from the account statements that Mr B didn't in fact do that (it seems from the relevant bank statement that he had actually bought a car for £1,000 – not £7,000 – the month before the 2018 application). The statements show that the £7,000 he borrowed in 2018 hadn't been used for any particular purpose at all. It had been paid into Mr B's

account in 2018, and had then been gradually spent over the next two years on day-to-day living.

Mr B declared his income as being £1,200 in 2020. But his bank statements don't support that. His regular employment income had stopped by June 2019, and from then on the only regular income paid into the account was benefits payments – and they were lower than in 2018 too. Other than the benefits payments, the only income into Mr B's account was a series of transfers from third party accounts and payments from PayPal. But those payments, while sometimes substantial, don't have any particular pattern.

Again, there is limited expenditure on the sorts of daily living expenses I would expect. NatWest said that for this application the only expenditure it took into account was £432 living costs – with no allowance for housing costs or other expenditure. It's not clear where it obtained that figure, it says from Mr B's application – though it hasn't been able to evidence what Mr B said in this application. If that's the case, I think NatWest ought to have questioned why that figure was so much lower than two years previously.

Although there was little in the way of obvious expenditure on living expenses on Mr B's statements, there was a significant amount of spending on what appears to be online shopping – sometimes several transactions a day.

Overall, I'm satisfied that there was enough information in NatWest's possession that should have led it to question whether it was responsible to lend. Mr B had used the last loan not for its stated purpose, but to fund daily expenditure. His current account statements from this time show that his regular income was less than £400 per month in benefits payments, with no salary payments. There were payments in from other sources, but it's not clear what they were for or their source, or whether they were reliable regular income. There was limited information about essential living costs, but a high level of discretionary expenditure, largely funded by the transfers in. I don't think that, if it had taken this into account, NatWest could fairly have concluded that the loan was affordable or sustainable for Mr B.

I therefore intend to uphold the complaint about the 2020 lending decision. To put things right, NatWest should refund all interest and charges. It wouldn't be fair to refund the capital, because Mr B did have use of that. But NatWest should use all the payments Mr B has made to reduce the capital borrowed. If that means Mr B has repaid the capital in full, NatWest should refund the excess to him. If there is an outstanding balance, NatWest should agree an affordable repayment arrangement with Mr B. And it should remove any adverse information it has added to his credit file.

Finally, Mr B has also complained about how NatWest treated him in 2024, when he experienced financial difficulties. I don't think NatWest acted unfairly in how it handled this period. It tried to make contact with Mr B when he missed payments. It offered breathing space, and asked Mr B to discuss his income and expenditure so it could see what further assistance it could provide. But it wasn't successful in contacting Mr B after that.

However, while I think that NatWest didn't act unfairly in how it handled the arrears in 2024, I'm conscious that Mr B wouldn't have been in that situation at all if it hadn't lent in 2020. With that in mind, and taking into account what Mr B has said about the impact of the lending on his health, I think NatWest should pay Mr B compensation of £350."

NatWest accepted that. It said it would reduce the loan balance by £849, the amount of interest charged to date, and it would reduce the interest rate to 0% on the remaining balance still outstanding. It also agreed to pay Mr B £350 compensation.

Mr B didn't accept my provisional decision. He said he didn't understand why NatWest still wasn't being held accountable for the first loan as well as the second. If NatWest didn't carry out proper checks, then it did something wrong. And the fact that Mr B didn't buy a car with that loan shouldn't be used in NatWest's favour. When his expenditure was properly taken into account, he wasn't left with enough to support his family or pay for petrol to get to work. Mr B said I should have taken account of credit card and overdraft charges he would have paid if he'd used the borrowing available to him.

Mr B said that the money coming into his account was used for gambling, because he thought that would help him get out of debt. NatWest hadn't helped him and had just put him in more debt. He said that compensation of £350 wasn't enough to reflect the anxiety and stress the borrowing had caused him.

### **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.

Having done so, I haven't changed my mind about the conclusions I reached in my provisional decision or the reasons for them.

I did find that NatWest ought to have done more checks in respect of the first loan. But that doesn't mean that I should automatically uphold the complaint. I also have to think about what NatWest would have found if it had done more checks – in particular, if it had taken into account all the information shown on Mr B's bank account. Having looked at that information myself, I don't think there was anything that ought to have told NatWest the loan would be unaffordable if it had looked at it properly. To be clear, the figure of £440 I gave in my provisional decision was not Mr B's total disposable income each month – it was the minimum he had left after paying for his other credit commitments, and paying the regular living expenses he was paying. I've considered what Mr B has said about his financial difficulties at the time, but that's not reflected in the evidence of his income and expenditure as recorded in his bank account.

I'm therefore still satisfied that, if it had carried out further checks, NatWest would still have concluded that the first loan was affordable for Mr B – and that this would have been a reasonable conclusion. As I don't have any grounds on which to find that the lending was unaffordable, I still don't uphold this part of the complaint.

I'm pleased to note that NatWest has accepted that it should not have lent the second loan, and has now agreed to refund all the interest and charges in respect of it. That just leaves the amount of compensation it should pay for the distress and inconvenience caused to Mr B by the lending decision. I don't think I can hold NatWest responsible for everything that Mr B has experienced. I think he would have been in financial difficulty even if NatWest had never lent to him, given his wider circumstances at the time of the second loan and since. I'm not requiring NatWest to compensate him for everything he's been through – it should only fairly compensate him for its part in things. Mr B would always have been in a difficult situation anyway. But having to manage the second NatWest loan made things worse. For that, I still think £350 compensation is fair in all the circumstances.

## **My final decision**

My final decision is that I uphold this complaint and direct National Westminster Bank Plc to:

- Remove all interest and charges from the 2020 loan, and re-work the loan balance applying all payments made to the capital borrowed. Once that has been done, NatWest should not charge future interest while the remaining balance remains outstanding, and should try to come to an affordable repayment arrangement with Mr B.
- Remove all adverse information in connection with the 2020 loan from Mr B's credit file.
- Pay Mr B £350 compensation.

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

Simon Pugh  
**Ombudsman**