

Complaint

Mr J has complained about a personal loan National Westminster Bank Public Limited Company ("NatWest") which he says it irresponsibly provided to him. He says the loan was unaffordable and so shouldn't have been provided to him.

Background

NatWest provided Mr J with a loan for £2,000.00 in December 2018. This loan had an APR of 24.9% and the total amount to be repaid of £2,501.52, which included interest fees and charges of £501.52, was due to be repaid in 24 monthly instalments of £104.23.

One of our investigators reviewed what Mr J and NatWest had told us. And she didn't think that that NatWest acted unfairly when deciding to provide this loan to Mr J and so didn't uphold the complaint.

Mr J disagreed with our investigator's assessment and asked for an ombudsman to review the complaint.

My findings

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr J's complaint.

Having carefully considered everything, I've not been persuaded to uphold Mr J's complaint. I'll explain why in a little more detail.

NatWest needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Mr J could afford to make his repayments before providing this loan.

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 a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more 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 lender to be able to show that it didn't continue to provide loans irresponsibly.

NatWest says it approved Mr J's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information from credit reference agencies and information on the amount of funds going into his main bank account each month.

In NatWest's view all of the information it gathered showed that Mr J could afford to make the repayments he was committing to. On the other hand, Mr J has said he was already in struggling and couldn't afford this loan.

I've carefully thought about what Mr J and NatWest have said.

In the first instance, I think it's fair to say that NatWest didn't simply accept Mr J's declarations at face value. In my view, NatWest did obtain a reasonable amount of information before it decided to proceed with Mr J's application. And this information does appear to suggest that the loan repayments were affordable for Mr J.

I accept that Mr J's actual circumstances may not have been fully reflected either in the information he provided, or the information NatWest obtained. Indeed, I've noted that Mr J has referred to having taken a significant number of payday loans in the lead up to this application and having been in a cycle of such lending.

However, Mr J has extracted this information from a copy of his full credit report which is far more detailed than the information typically received by a lender as part of any credit checks. Furthermore, it's fair to say that not all payday lenders report information to all credit reference agencies. So it doesn't automatically follow that a lender will be aware of everything that is on a prospective borrower's full credit file, simply because it carried out a credit check.

This is important because I'm mindful that the information NatWest has provided indicates that the payday loans did not show up in its searches. For the sake of completeness, I'd also add that even if NatWest did know that Mr J had previously taken payday loans there is no prohibition on lending to a customer in such circumstances. Indeed, it's worth noting that the interest rate on this NatWest loan was substantially lower than the interest rate Mr J will have had on any payday loans.

I'm satisfied that the proceeds of this considerably cheaper loan could have been used to clear any payday loan cycle might have been in. This would not only have saved Mr J a considerable amount of interest it would also have provided him with the opportunity to free himself from such lending. Indeed, a major reason for consumers ending up in a cycle of payday lending is because they find it difficult to obtain far more affordable credit from a mainstream lender which allows them to clear payday lending at a cheaper rate.

Mr J's argument appears to suggest that a mainstream lender should never lend to a customer that has taken payday type lending, despite there being no such prohibition. While I've not seen anything to suggest that NatWest was aware of Mr J's payday loan history, I'm in any event not persuaded that it having been aware of this automatically means that it should have refused to lend to Mr J. And more importantly, I don't think that Mr J's arguments are a reason for this complaint being upheld.

Furthermore, it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies in the information that NatWest obtained and it suggesting that the loan payments were affordable, I don't think that it was unreasonable for it to have lent in this instance.

In reaching my conclusions, I've also considered whether the lending relationship between NatWest and Mr J might have been unfair to Mr J under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think NatWest irresponsibly lent to Mr J or otherwise treated him unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I'm satisfied that NatWest didn't treat Mr J unfairly or unreasonably when providing this loan to him. And I'm not upholding Mr J's complaint. I appreciate this is likely to be very disappointing for Mr J. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 9 June 2025.

Jeshen Narayanan
Ombudsman