

The complaint

Mr E complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) was irresponsible in its lending to him. He wants the outstanding balance on his loan written off, a refund of his gambling-related losses and compensation for the distress this situation has caused him.

What happened

Mr E complains that NatWest irresponsibly provided him with a loan for £4,000. He explained that he suffered from anxiety, depression, compulsive behaviours and mental health issues and this had resulted in periods of erratic spending and gambling losses. He said the loan was provided at a time when he was in severe financial distress and that NatWest should have been aware of his vulnerable status and ongoing gambling losses.

NatWest provided details of the checks it undertook before the loan was provided and said these showed the loan repayments to be affordable.

Our investigator thought that further checks should have been undertaken before the loan was provided to ensure it would be sustainably affordable for Mr E. She said that had these happened, NatWest would likely have identified that Mr E had an outstanding credit commitment that hadn't been included in the affordability calculations. She noted that if repayments towards this were included, this would reduce his disposable income before the NatWest loan repayments to around £285. Given the NatWest loan repayments were around £145 she didn't think this left sufficient funds for any emergency expenditure that may have arisen, or any expenditure NatWest hadn't considered. Therefore, she upheld this complaint and recommended that NatWest refund all interest, fees and charges Mr E had paid along with interest and that any adverse information recorded on Mr E's credit file regarding this loan be removed.

Our investigator considered Mr E's comments and evidence of his gambling. She noted that NatWest said Mr E hadn't contacted it before April 2024 about his gambling issues and that the evidence of gambling transactions was from November 2022. She said that NatWest wouldn't be expected to go back this far to review Mr E's bank statements. She noted Mr E's comment about using the loan proceeds for gambling but said that his statements didn't show this. Therefore, she didn't require NatWest to do anything further in regard to this aspect of Mr E's complaint.

NatWest accepted our investigator's view.

Mr E didn't accept that the remedy proposed by our investigator was sufficient. He thought that additional to the recommendations made, NatWest should write-off the outstanding loan balance, refund him £2,000 linked to gambling-related losses prior to the loan being provided and pay him £200 to £300 for the distress he had been caused.

Our investigator put Mr E's comments to NatWest but it didn't agree that action beyond our investigator's recommendations was needed.

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.

Mr E was provided with a £4,000 loan with a 36-month term in April 2023. He was required to make monthly repayments of around £145. Before the loan was provided, NatWest gathered information about Mr E's income which it validated against his account turnover. It then used information provided by Mr E along with data from the credit reference agencies to assess his expenses. Mr E declared a monthly income of £1,600 and based on NatWest's checks he had a disposable income of around £395 before the NatWest loan repayments.

While I note the checks undertaken, given the size and term of the loan and noting Mr E's relatively low disposable income (around £250 after the loan repayments), I think further checks should have been undertaken to understand Mr E's financial circumstances before lending.

NatWest had access to Mr E's bank account statements and had further checks happened, I think it reasonable to accept that NatWest would have identified the additional credit commitment Mr E had. Taking this into account, and the other information available through Mr E's bank statements, I think this should have raised concerns that Mr E didn't have sufficient disposable income to support the loan being sustainably affordable over the loan term. Therefore, I agree with our investigator's view that the complaint about the loan should be upheld, and I note that NatWest has accepted this.

The outstanding issue relates to the recommended redress. Mr E believes that additional to the actions recommended by our investigator that NatWest should write-off the loan balance, refund his gambling losses and pay him compensation for the distress he has been caused.

I have considered the points that Mr E has made, and I note his reference to other cases where further actions have been taken. I can assure Mr E that I have taken into account all the evidence that has been provided and that I take all relevant rules and requirements into account. But my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint.

In this case, Mr E has provided evidence of his gambling transactions in and around November 2022. However, having looked through his account statements for the months leading up to the loan being provided these do not show payments to gambling sites. While I note Mr E's comment about this, I do not find that more thorough checks of the months leading up to the loan would have highlighted his issue with gambling. So, I do not find that in response to this complaint, I can say NatWest is required to refund him his losses leading up to the loan being provided.

I have looked at Mr E's accounts for the months following the loan being provided and these do not show him spending the proceeds on gambling. Instead, the money is spent on more general payments. Given this, I find it reasonable to say that Mr E had the benefit of the loan proceeds and so while I do not find he should be required to pay any interest or charges, I think it fair he remains liable for the amount he borrowed.

I note the comment Mr E has made about the distress he has been caused. I do not underestimate the upset this complaint has caused him. But taking into account that he had the benefit of the loan funds, and these are now not incurring any interest or charges, I find this a fair resolution to this complaint.

So, while I understand that Mr E will not be happy with my decision, regarding the provision of the loan in April 2023, I find the redress suggested by our investigator and set out below, to be a fair resolution to this.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mr E has complained about, including whether its relationship with Mr E might have been unfair under Section 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.

Putting things right

Where a business has done something wrong, our service usually aims to put the consumer back in the position they would've been in had the incident not occurred. However, in cases where a business has lent irresponsibly, this isn't entirely possible – as the lending provided cannot be undone.

As I don't think NatWest should have arranged this loan, I don't think it's fair for Mr E to pay any interest or charges for the borrowing. However, Mr E did have the use of the funds he was lent, so I think it's fair he repays them. NatWest should refund all interest, fees and charges that Mr E paid.

So NatWest should do the following:

- Remove all interest, fees and charges from the balance on the outstanding loan, and treat any repayments made by Mr E towards the loan as though they had been repayments of the principal loan amount.
- If that means that Mr E would have made overpayments, then NatWest must 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.
- Alternatively, if there is still an outstanding balance following the account, then NatWest should try to agree an affordable repayment plan with Mr E.
- NatWest must remove any adverse information recorded on Mr E's credit file in relation to this loan, once it has been repaid.

*HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr E a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 28 May 2025.

Jane Archer
Ombudsman