DRN-5503495

The complaint

Mrs S has complained that Metro Bank PLC trading as RateSetter unfairly provided her with a loan.

What happened

On 12 September 2021, Mrs S entered into a loan agreement with RateSetter as shown below. Mrs S told RateSetter the loan was for debt consolidation, and she settled it in full in May 2023.

Date	Amount of credit	Term	Monthly payment	Total repayable
12 September 2021	£10,500	36 months	£304.26	£10,953.36

On 27 October 2024, Mrs S complained to RateSetter with the help of a professional representative. In the complaint, Mrs S said she didn't think RateSetter had lent responsibly to her. She felt it had failed to undertake a reasonable assessment of her creditworthiness at the time of the lending. She's said had RateSetter completed the appropriate checks it would have found the lending was unaffordable for her.

RateSetter looked into Mrs S's complaint and issued a final response letter explaining it believed it had acted fairly in providing the credit. RateSetter provided a summary of the checks it had conducted and felt the agreement was affordable for Mrs S. It said it had confirmed the agreement was affordable by checking the information the credit reference agencies (CRA) held about her, asking her about her income and verified this using a CRA . It said it used data from her credit file to understand how much Mrs S was already paying towards debt, including her mortgage.

Mrs S didn't accept RateSetter's response, so she referred her complaint to our service with the help of her representative. One of our investigators looked into it, but based on the evidence available, our investigator said she couldn't reasonably conclude that the lending was irresponsible, or the relationship was unfair.

Mrs S didn't accept what our investigator said and asked for a final decision on the case. As no agreement could be reached, the complaint has been passed to me for 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.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- Did RateSetter carry out reasonable and proportionate checks to satisfy itself that Mrs S was able to sustainably repay the credit?
- If not, what would reasonable and proportionate checks have shown at the time?

- Did RateSetter make a fair lending decision?
- Did RateSetter act unfairly or unreasonably towards Mrs S in some other way?

RateSetter had to carry out reasonable and proportionate checks to satisfy itself that Mrs S would be able to repay the credit sustainably. RateSetter needed to assess the likelihood of Mrs S being able to repay the credit, as well as considering the impact of the repayments on her.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the monthly repayments and the cost of the credit.

Did RateSetter carry out reasonable and proportionate checks to satisfy itself that Mrs S was able to sustainably repay the credit?

Before lending to Mrs S, RateSetter asked her about her income. It's said she declared an annual income of £46,120. They verified this through a CRA and found that she was earning £2,778.31 a month which is broadly consistent with what Mrs S had declared. Using the credit reference agencies RateSetter found that Mrs S had a total of £11,646 in other revolving credit which included the loan of around £10,500 she was intending to consolidate with this lending. This meant Mrs S was using less than 15% of her available credit. RateSetter also found that Mrs S was paying up to £1,000 to her mortgage each month. So, in summary, it verified Mrs S's income and took into account her existing unsecured debt and mortgage payments. Having done so it concluded that after the repayments to this loan Mrs S would have a disposable income of around £891.58.

RateSetter has also explained that it carried out a credit search to get an understanding of Mrs S's situation before it decided to lend. It said this revealed that she had no recent arrears, defaults, County Court Judgements (CCJs) debt management plans, bankruptcies, or IVAs.

I've seen the credit file results and can confirm there was no adverse records showing on the information available to RateSetter at that time and Mrs S had a good credit history. She had borrowed in previous years and had settled each of her debts on time and without issue demonstrating she could manage credit well. I can see Mrs S had a reasonable level of unsecured debt. But she hadn't recently taken out any credit and her repayments were up to date. Additionally, this loan was intended to consolidate a large portion of the existing debt and was unlikely to increase her overall indebtedness.

Having reviewed the available information, I think RateSetter's calculation for disposable income after payments towards her mortgage and other unsecured debt is a little low. This suggests it may have added a buffer or accounted for bills that didn't appear on the credit file, but it hasn't been clear about this. From what I can see even if Mrs S didn't consolidate any debt with this loan she would have been left with around £1020 a month to cover other bills and commitments, which seems reasonable. As Mrs S did use this loan to repay her other loan, her monthly disposable income increased to around £1,380. Again, this is a reasonable amount for her to be able to sustainably repay the loan and meet other commitments.

Having considered the information that was available to RateSetter at the time it made its lending decision, I'm not persuaded the checks it completed weren't proportionate. I haven't seen anything that would suggest it needed to do further checks before lending to Mrs S or that it should have known she wouldn't be able to sustainably repay the loan.

On the evidence available, I'm persuaded the checks RateSetter completed were reasonable and proportionate to the amount and type of credit it went on to approve. So, it follows I'm satisfied the decision to approve a loan was reasonable based on the information RateSetter gathered about Mrs S's circumstances. I'm very sorry to disappoint Mrs S but overall, I'm not persuaded that RateSetter created unfairness in its relationship with her as a result of its decision to lend.

<u>Did RateSetter act unfairly or unreasonably towards Mrs S in some other way?</u>

I can see that Mrs S repaid the loan without issue until May 2024 when it was settled in full. I can't see that Mrs S contacted RateSetter to let it know she was in financial difficulties, and I've not seen any evidence to suggest that RateSetter treated Mrs S unfairly in some other way.

Overall, and based on the available evidence I don't find that RateSetter has acted unfairly in this case. I'm not persuaded that RateSetter created unfairness in its relationship with Mrs S by lending to her irresponsibly, and I don't find RateSetter treated Mrs S unfairly in any other way based on what I've seen.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 26 September 2025.

Charlotte Roberts
Ombudsman