

The complaint

Mr S complains that Metro Bank Plc trading as Ratesetter (Metro) didn't sufficiently check whether he could sustain the repayments before they agreed to lend to him.

What happened

In October 2023 Mr S entered into a Fixed Sum loan agreement with Metro for £12,000. After interest and charges were applied the total amount Mr S needed to repay was £15,768.48. This was repayable over 48 months at £328.51 a month. Mr S said he struggled to sustain the repayments and had Metro checked his financial situation sufficiently they would have seen the loan wasn't affordable for him. Mr S complained to Metro.

Metro said they'd used Mr S' application and credit reference agency (CRA) data to check his credit worthiness. They'd also used a formula to calculate his likely financial commitments in deciding whether the lending was affordable for him. And based on these checks and suppositions they said their lending decision was fair as Mr S should have been able to sustain the repayments as he should have had over £500 in disposable income.

Mr S wasn't happy with Metro's response and referred his complaint to us.

Our investigator said given the amount of the loan and the length of time Mr S would be indebted for, Metro should have checked further. And if they had they would have seen Mr S was financially vulnerable. So, Metro had acted irresponsibly in lending to him.

Metro didn't agree and asked for an ombudsman to decide.

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'm upholding this complaint for broadly the same reasons as our investigator. I'll explain why.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance, and good industry practice - on our website. I've taken this into account when considering Mr S' complaint.

Metro needed to take reasonable steps to ensure they didn't lend irresponsibly to Mr S. This means that they should have carried out proportionate checks to make sure he could afford to repay what he was being lent in a sustainable way.

Our website sets out what we typically think about when deciding whether a lender's checks are proportionate. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And we might think they needed to do more if, for example, a borrower's income was low, or the amount lent was high. Also, the

longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

Metro used CRA data to cross check Mr S' declared income, and said they considered Mr S earned £2,205.26 per month. Mr S also declared he'd a mortgage of £345. Metro said they used an internal model to estimate Mr S' other outgoings. After factoring in the new lending they found Mr S would have around £518 for discretionary and unexpected costs. so based on their checks and these figures, they decided Mr S could afford the repayment of the loan over its term.

Metro has provided the information they obtained from their credit check which I think show circumstances in this case that should have made Metro concerned and prompted them to check Mr S' financial circumstances further before approving this loan.

Mr S was seeking the loan for debt consolidation, listing three credit cards with outstanding balances of £6,950, £2,439 and £2,200 respectively. I can see from Mr S' credit report the credit card with the highest balance was taken out only a few months before his loan application – around June 2023 with a credit limit of £7,000. So he'd reached the credit limit within a short space of time. And Mr S' monthly mortgage was seen to be £686.

Metro said they used an internal process to assess Mr S' credit worthiness but given the amount Mr S was borrowing, and his recent reliance on credit I think Metro should have checked further into Mr S' financial situations. This doesn't necessarily mean they had to ask Mr S for his bank statements, but I think these give a good indication of Mr S' income and expenditure.

Mr S has provided us with banking accounts for the three months prior to the lending. A current account into which his monthly salary was paid, a flex account and a savings account. Had Metro considered Mr S' accounts they would have seen a pattern of spending on Mr S' current account which should have prompted Metro to ask further questions.

I can see from Mr S' current account he was making numerous transactions to online marketplaces for cryptocurrencies, spending at times more in a month than his monthly salary. And whilst he was depositing money into his savings account he would at times withdraw this the next day to fund further cryptocurrency transactions.

While cryptocurrency is considered to be an investment the performance of most crypto assets can be highly volatile, with their value dropping as quickly as it can rise. Its value is largely influenced by market speculation. This is why cryptocurrency is considered to be high risk.

While I haven't seen any evidence of unpaid direct debits or overdraft usage, I think Mr S' credit history and banking transactions showed he was relying on credit to help fund these online transactions. And while he may have used the loan for debt consolidation it was more likely than not he would have continued making these transactions thereby increasing his reliance on credit further. And I think this would have been evident to Metro had they checked.

Any lending should be borrower focussed and I think considering the amount and timeframe of the loan together with Mr S' pattern of spending it was most likely he would struggle to sustain the repayments. I can see from transactions after he received the loan funds whilst he did settle his credit card balances, he continued to make online cryptocurrency acquisitions.

So I don't think Metro's checks were reasonable and proportionate as I don't think they

should have relied on a percentage calculation to determine Mr S' outgoings given the amount he was borrowing and his recent reliance on credit. I think they should have checked further and if they had they would have seen Mr S was financially vulnerable and I think on balance would struggle to sustain the repayments.

I've also considered whether Metro acted unfairly or unreasonably in some other way given what Mr S has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A consumer Credit Act 1974. But I'm satisfied the redress I've directed below results in fair compensation for Mr S 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

When a business has done something wrong, I'd look for the business to put the complainant in the position they would be in now if the mistake they'd made hadn't happened, as far as is reasonably practical. But Mr S has had the loan and used the money, so it's right that he should repay what he borrowed as he has had the benefit of those funds. But I don't think it's fair and reasonable that Metro should apply any interest and charges incurred by Mr S as a result of the credit unfairly extended to him.

My final decision

I uphold this complaint. And ask Metro Bank Plc to:

- Rework the account removing all interest and charges. If the rework results in a credit balance, this should be refunded to Mr S together with *8% simple interest per year calculated from the date of each overpayment to the date of settlement.
- Remove any adverse information in relation to the account from Mr S' credit file. Or
- If, after the rework, there is still an outstanding balance, Metro Bank Plc should arrange an affordable payment plan with Mr S. Once Mr S has cleared the balance, they should remove any adverse information in relation to the account from his credit file.

. *HM Revenue & Customs requires Metro to deduct tax from any award of interest. It must give Mr S a certificate showing how much tax has been taken off if he asks for one. If they intend to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 July 2025.

Anne Scarr
Ombudsman