

The complaint

Mr H has complained TSB Bank plc didn't carry out effective affordability checks when approving his loan application in March 2024. He subsequently confirmed this application was fraudulent and wanted TSB to refund the full amount.

Mr H's brother has represented him in his complaint but for ease I've continued to refer only to Mr H.

What happened

Mr H was the victim of a scam, and a loan application was made in his name with TSB, which wasn't his bank.

This loan application was made online in March 2024 for £20,000 for home improvements stating that Mr H had no mortgage or other loan commitments and a net monthly income of £1,766.

TSB carried out what it deemed as appropriate checks and granted the loan. Mr H transferred the money to an account in his name at another bank (who I'll call B), and then fraudulent transactions were made.

Mr H felt that he was never going to be able to afford this loan and got family help to pay off the majority of it. He complained to TSB that the loan was fraudulent and that there'd been insufficient checks carried out which is what enabled TSB to give him the loan.

TSB agreed to write off the remaining loan but didn't agree they didn't carry out effective checks.

Mr H brought his complaint to the ombudsman service stressing this was about affordability.

Our investigator didn't feel that TSB's checks were inappropriate and noted the loan had been written off. Mr H confirmed he'd not had payments – including the significant lump sum paid by his family – returned so that formed a part of his complaint.

TSB felt they'd not looked at whether the loan was taken out fraudulently. They provided us with additional evidence which formed part of their submission and decision not to refund Mr H.

Mr H's complaint was referred to an ombudsman for decision.

I completed a provisional decision on 29 April 2024 as further evidence had been shared with our service. I also didn't uphold the complaint and noted B had repaid a considerable sum of the money he'd paid out fraudulently and this enabled the majority of the repayment to be made to TSB.

TSB accepted this outcome.

Mr H didn't. He continued to believe that TSB didn't carry out appropriate checks into his

loan application. He was not an existing customer of theirs and took his income at face value. He stressed that he had highly compromised health issues.

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've reached the outcome as I did in my provisional decision. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

I can confirm I have read all of the evidence carefully. Unfortunately for Mr H I confirm that I won't be asking TSB to do anything further. I believe there's sufficient evidence to suggest Mr H has been a victim of a horrible scam, but this alone doesn't mean I can ask TSB to refund all of the loan. Other facts have had a bearing on my decision.

Existing consumer credit legislation says that a customer can't be held liable for a loan if it was taken out by an unauthorised party. However that's not the whole story. Our service also considers whether the party supposedly taking out the loan knew about and benefited from the funds.

I note an application for a £20,000 loan for home improvements was made in Mr H's name in March 2024 using a credit intermediary. Most likely the application was completed fraudulently. TSB accepted this when they agreed to write off the loan.

By this stage Mr H had already repaid £18,000 of the loan. TSB wrote off the remaining amount when agreeing to cancel the loan agreement.

Mr H has asked that as the loan was taken out fraudulently, he should be repaid the money which he paid to TSB. He says he was only able to pay this as his family loaned him £18,000.

I asked TSB to consider this issue. They were able to confirm that B, Mr H's main bank – where the scam payments were made from after the loan was paid into the account – refunded over £16,800 to Mr H. This suggests to me that this amount must form most of the money that Mr H then repaid to TSB or could certainly have been used to refund his family if they loaned him the money to repay TSB.

Mr H has subsequently confirmed that he was always upfront that he was able to make this repayment because of the refund that B made.

Overall, I am satisfied Mr H did know about the credit agreement being taken out even if I accept he may not have applied for the credit agreement himself. I won't be asking TSB to repay any further money to Mr H.

I have also considered whether inadequate checks were undertaken when TSB considered the loan application. I note the stated income was over £1,700 per month. Mr H disputes this figure as this was provided by the fraudsters. But I've seen nothing to suggest why TSB wouldn't have accepted this.

TSB would have completed a credit check, as required. This would have confirmed that, as

Mr H has stated, there was no outstanding credit commitments and Mr H owned his own home without an outstanding mortgage.

So based on an income of over £1,700 per month, I don't believe a monthly loan payment of £420 would have been considered as unaffordable. This would have been well below the threshold for any monthly credit commitment, taking into account Mr H's normal household outgoings which TSB would have calculated using industry standards.

I know Mr H has been insistent about our service considering his belief the loan was unaffordable. But based on what I've seen, I don't agree. It's worth adding that as TSB accepted the loan was fraudulent, I wouldn't have been recommending any further redress to be paid even if I had found the loan to be unaffordable.

Mr H's family has stated that Mr H has a history of serious illness. His mental health, specifically, would mean that he'd be prey to this type of scam. I agree that what happened to Mr H is horrible. I have taken this into account in my final decision.

Mr H has confirmed he will be taking this further but this decision brings the process of his complaint at our service to an end.

My final decision

For the reasons given, my final decision is not to uphold Mr H's complaint against TSB Bank plc.

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

Sandra Quinn
Ombudsman