

## The complaint

Mr S complains Metro Bank PLC trading as RateSetter provided him with two unaffordable loans.

## What happened

RateSetter provided two loans for Mr S through its peer to peer (P2P) lending platform. The details of the loans are in the below table:

Loan	Date	Capital amount	Loan fee	Term (months)	Monthly repayments	Total repayable value
One	November 2021	£8,000	£615 (approx.)	60	£155 (approx.)	£9,230 (approx.)
Two	May 2022	£4,000	£480	48	£105 (approx.)	£5,040 (approx.)

*\*Mr S also had a loan provided by RateSetter in October 2020, however this earlier loan was repaid in August 2021 and hasn't been complained about*

Mr S complained to RateSetter in June 2024. He said had it completed proportionate checks it would have identified these loans weren't affordable for him.

RateSetter issued a final response letter not upholding Mr S' complaint. It said its checks were proportionate and that it made a fair lending decision when providing these loans.

Unhappy with RateSetter's response Mr S referred his complaint to our service for review.

Our investigator reviewed the details and upheld the complaint in part. He concluded RateSetter had made a fair lending decision when arranging loan one; but shouldn't have provided Mr S with loan two.

Mr S questioned some of the details about the outcome for loan one; but appears to have accepted our investigators view. RateSetter didn't agree. In summary it maintained its position that it had completed reasonable checks and fairly provided Mr S with loan two.

RateSetter asked for an ombudsman's review, so the complaint's been passed to me 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.

The information in this case is well known to Mr S and RateSetter, so I don't intend to repeat it in detail here. I've focused my decision on what I consider to be the key points of this complaint. While I may not comment on each individual point or piece of evidence provided, I'd like to assure both parties I've carefully considered all of the information available to me. I

don't mean to be discourteous to Mr S or RateSetter by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. Both Mr S and RateSetter have been made aware of this approach in our investigator's view.

At the time RateSetter arranged this loan for Mr S it was required to carry out proportionate checks. These checks needed to assess Mr S' ability to afford the loans being arranged and repay them sustainably, without causing him financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances. And it isn't sufficient for RateSetter to just complete proportionate checks – it must also consider the information it obtained from these checks to go on and make a fair lending decision when arranging these loans. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

I've followed this approach when considering Mr S' complaint.

#### Loan one

As Mr S appears to be in acceptance of our investigator's findings in relation to his loan, I don't consider I need to set out my findings in detail. However, for the avoidance of doubt, I agree with our investigator's conclusions, for broadly the same reasons, that RateSetter made a fair lending decision when approving loan one.

I say this based on the level of checks I consider were proportionate to the terms of the loan being provided; as well as the information RateSetter obtained through these checks to then go on and make a fair lending decision when arranging this loan.

So, it therefore follows I don't consider RateSetter needs to take any action in relation to loan one.

#### Loan two

Before arranging loan two RateSetter has said it conducted the same checks as it did at loan one: it obtained Mr S' declared income and validated this through an online tool check. It calculated Mr S' monthly disposable income by using an internal scoring model, and completed a credit check to identify his existing lines of credit and management of current and recent credit accounts. RateSetter says it considers it completed proportionate checks and made a fair lending decision when providing Mr S with loan two.

I've carefully considered RateSetter's arguments; and having done so I'm not persuaded its checks were proportionate, or that it made a fair lending decision when providing Mr S with loan two.

I say this because this was the second time Mr S had approached RateSetter for credit for the purpose of debt consolidation within around a six month period, and the third request for borrowing in under two years. I therefore consider RateSetter's checks needed to go further, to fully understand Mr S' financial circumstances by verifying his income and expenditure, as well as understanding his credit commitments and management of credit.

However, I consider RateSetter obtained enough information to reasonably conclude further lending wasn't sustainable for Mr S, and that he therefore wasn't a suitable candidate to lend to.

I say this because although RateSetter would have seen Mr S used loan one to consolidate his existing credit card accounts in line with its declared purpose; it could also see he'd obtained further credit since loan one and his total level of debt had increased.

Mr S' total debt excluding mortgages stood at around £9,400 in November 2021, largely made up of credit card balances. At the credit check RateSetter obtained in May 2022 Mr S' total debt excluding mortgages had increased to around £21,800. So, even though he'd consolidated credit card debt with the £8,000 funds from RateSetter in November 2021, he'd further increased his total debt within the six months leading up to loan two by around £12,500. This increase appears to have largely been split across two loan accounts.

RateSetter has said Mr S was looking to consolidate around £3,800 of existing loan balances, which he declared in his application as being across two loan accounts. It's said this would reduce his monthly payments to credit by around £45 per month.

However, from the credit check RateSetter completed it would have identified Mr S had four active loan accounts with balances totalling around £20,700, including the outstanding balance on the existing RateSetter loan.

Mr S' lowest loan account balance stood at around £700, with the next lowest at around £4,800. So, Mr S wouldn't have been able to effectively consolidate the loan debt as RateSetter suggests. And the repayment term and monthly value of the loan with a balance of around £4,800 weren't too dissimilar to those which RateSetter went on to provide Mr S under loan two. So, this brings into further question whether loan two was of reasonable benefit for Mr S.

I consider the pattern of lending evident to RateSetter suggested an increased reliance on credit, and that Mr S' financial situation was deteriorating, and he was becoming more reliant on credit to maintain his financial circumstances. The fact that Mr S was returning to RateSetter so soon for additional lending, with a further purpose of debt consolidation for lending obtained within the six months leading up to the request, ought to have caused it concern.

In any event the evidence RateSetter obtained should have led to it identifying Mr S would be making payments of at least around £650 per month towards credit commitments, when taking into account repayments to this loan and some level of consolidation of existing debts. Mr S would be paying a significant proportion of his monthly income towards credit. I don't consider this was at a sustainable level given the income RateSetter had identified through its checks, and the information it obtained about Mr S' increased reliance on credit.

While after the lending event, I consider the circumstances that followed the provision of loan two within a matter of weeks support my findings that further lending, no matter its purpose, wasn't sustainable for Mr S.

So, I'm persuaded RateSetter had obtained enough information at the point of loan two to reasonably conclude further lending wasn't sustainably affordable for Mr S, no matter the value or purpose; and it therefore follows I don't consider it made a fair lending decision when providing this loan.

Did RateSetter act unfairly or unreasonably in any other way?

I've considered if RateSetter has acted unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr S in the circumstances of his complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **Putting things right**

As I don't think RateSetter ought to have arranged loan two in May 2022, I don't think it's fair for it to be able to apply any interest, fees or charges under the agreement. But I think Mr S should pay back the capital amount he's borrowed. Therefore, I'm directing RateSetter to take the following action to fairly resolve this complaint:

- Add up the total repayments Mr S has made towards loan two and deduct this from the total amount of capital advanced.

AND

- If this results in Mr S having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). † RateSetter should also remove all adverse information regarding this account from Mr S' credit file.

OR

- If any capital balance remains outstanding, then RateSetter should arrange an affordable and suitable payment plan with Mr S. Once the total outstanding balance is repaid, RateSetter should remove any adverse information reported to Mr S' credit file about loan two.

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

### **My final decision**

My final decision is that I'm upholding Mr S' complaint about Metro Bank PLC trading as RateSetter and I direct it to take the above action in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 June 2025.

Richard Turner  
**Ombudsman**