

The complaint

Mrs T complains that The Royal Bank of Scotland Plc (RBS) was irresponsible in its lending to her. She wants all interest and charges on the loan refunded along with statutory interest.

What happened

RBS provided Mrs T with a £19,000 loan in April 2019. The loan term was 84 months, and the monthly repayments were £396.22. Mrs T said that adequate checks weren't undertaken before the loan was provided. She said that had her bank account statements, and credit report been checked RBS would have seen that she was reliant on her loans and credit cards and was unable to afford the new loan repayments. She said she had around £50,000 of existing debts and had to borrow further to make her repayments. She said she was in a spiral of debt which ended up with her defaulting on her accounts. Mrs T also said that adequate checks would have identified that she was gambling at the time.

RBS issued a final response to Mrs T dated 8 October 2024. It said that Mrs T's loan application was made online with no staff intervention. It explained that the application was assessed using credit scoring and the RBS lending criteria. It said the credit scoring took into account information from the application, the credit reference agencies and internal lending data. It said that Mrs T's loan application was approved without further checks being required.

Mrs T referred her complaint to this service.

Our investigator thought the checks carried out by RBS before the loan was provided were proportionate. As these didn't suggest the loan to be unaffordable or raise other concerns that meant the lending shouldn't have been provided, he didn't uphold this complaint.

Mrs T didn't agree with our investigator's view. She said her mortgage repayments were £479.69 a month (not £250 as RBS had recorded), and these were clearly shown on her bank statements. She didn't agree with the disposable income suggested by RBS and said that based on her income and expenses she only had around £53 a month to buy food, petrol and other essentials which she said showed the loan wasn't sustainably affordable. She said she was consistently in her overdraft and had been for an extended period of time. Mrs T didn't think that the extent of her debts had been fully considered. She thought, given her existing credit commitments, RBS should have carried out more thorough checks and that had these happened it would have realised the lending wasn't affordable.

My provisional conclusions

I issued a provisional decision on this complaint. While I didn't uphold this complaint, which was the same outcome to that of our investigator, as I relied on additional reasoning for my decision, I issued a provisional decision to allow the parties the opportunity to provide any further comments. The details of my provisional decision are set out below.

Mrs T was provided with a £19,000 loan by RBS in April 2019. This was a substantial loan which had a term of 84 months. So, I would expect the checks carried out to reflect this and be sufficient to ensure that the lending would be sustainably affordable over the loan term.

Before the loan was provided, RBS gathered information about Mrs T's employment and income and carried out a credit check. Mrs T declared that she was employed with a monthly income of £3,200. RBS checked this against Mrs T's current account turnover. I find this reasonable and note that the account statements I have seen support the declared income figure.

RBS calculated Mrs T's expenses based on the information it received from Mrs T and information received from the credit reference agencies. Its checks showed that Mrs T had monthly repayments for her existing credit commitments (credit cards and loans) of around £1,322 which was already over 40% of her monthly income. Adding the RBS loan repayments of around £396 would result in her repayments to credit commitments being over 50% of her income.

Given the size and term of the loan being provided and noting that Mrs T was already using a significant amount of her monthly income for her existing credit commitments, and that she spent a large portion of each month in her overdraft, I think that RBS should have carried out more detailed checks to ensure it had a clear understanding of Mrs T's financial circumstances before lending. As Mrs T's bank account was with RBS, I think it should have considered the information in her bank statements to understand her financial situation and to understand her expenses.

I have looked through Mrs T's account statements to assess what further checks would have shown. As noted above, the bank statements support Mrs T's declared income figure of £3,200 a month. Mrs T's payments towards her loans were around £891 a month (slightly higher than RBS noted) and based on her statements her repayments to credit cards were slightly lower than the amount RBS included, therefore I find it reasonable to include RBS's figure of £453 in my calculations. This would give total repayments towards existing credit commitments of around £1,344.

Mrs T's declared mortgage cost was £250 but I think further checks would have identified this to be around £480. Therefore, I have included this in my calculations. Additional to this Mrs T was paying for expenses such as utilities, insurance, communications contracts and memberships. These came to a total of around £466 a month. Including these costs along with Mrs T's existing credit repayments and the RBS loan repayments gives total expenses of around £2,686. This results in disposable income of around £514. This amount would need to cover Mrs T's general living costs such as food and fuel but based on her account statements I do not find that this raises concerns. I note Mrs T's comment about her council tax payments, but I still do not find that I have enough to say that had further checks taken place to understand Mrs T's expenses, that this loan should have been considered unaffordable for Mrs T.

I have also considered whether there were other reasons why the lending shouldn't have been provided. While I appreciate that Mrs T had existing credit commitments and she was using her overdraft for a significant amount of each month, her salary did clear the overdraft each month and her credit report didn't raise any issues. So, while I think these issues meant further checks should have taken place, as I find these would have supported the loan repayments being affordable, I do not find I can say that RBS was wrong to provide this loan.

I have also considered Mrs T's comment about her gambling. Her account statements show some payments to gambling sites but in the months leading up to the loan being provided, I

do not find these were such that they should have alerted RBS to this being an issue for Mrs T. I have nothing to suggest that Mrs T raised this with RBS at the time and so I do not find that it should have taken any further action regarding this.

I've also considered whether RBS acted unfairly or unreasonably in some other way given what Mrs T has complained about, including whether its relationship with her might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think RBS lent irresponsibly to Mrs T or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Mrs T didn't accept my provisional decision. She said that given the size and term of loan RBS should have carried out more checks. She said she had a high debt to income ratio and RBS increased this by allowing her to borrow more. She reiterated that she was using her overdraft every month and as her main account was with RBS it would have seen that this had been an issue for several years.

Mrs T said her payments for loans and credit cards were £1404.73 which was 43% of her monthly salary and although the loan was for consolidation purposes even paying off her debts wouldn't have put her in a better situation. She said she hadn't been managing her finances well, having taken out additional borrowing within the six months prior to the loan application. She said she had gambling transactions on her account, and this should have been a red flag for RBS and she provided a copy of an account statement from another bank account which she had used for gambling.

Mrs T said she had already paid back more than she borrowed, and the remaining balance was interest. She said that further checks should have happened, and her complaint should be upheld.

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.

Mrs T said in her response to my provisional decision that RBS should have carried out further checks before the loan was provided. I agree with this and as I set out in my provisional decision I thought that given the size and term of the loan being provided, Mrs T's existing credit commitments, and noting that she spent a large portion of each month in her overdraft, RBS should have carried out more detailed checks to ensure it had a clear understanding of Mrs T's financial circumstances before lending. Mrs T's main bank account was with RBS, and I think it should have considered the information in her bank statements to understand her financial situation and to understand her expenses.

However, I find that had further checks happened, these wouldn't have shown the lending to be affordable. Mrs T has provided a spreadsheet of her credit commitments and these reflect the amounts I recorded in my provisional decision for her loan repayments. Mrs T's

calculations for her payments towards her credit cards in the month of the loan being provided were slightly higher but based on my calculations for the three months leading up to the loan I find that amount RBS included in its calculations of £453 was reasonable. Mrs T mentioned in her response to my provisional decision that the loan was intended for consolidation, had this happened, this would have reduced Mrs T's overall credit costs and further supported the affordability of the loan.

Mrs T has provided a copy of her bank statements from another account. I can see that she used the account for gambling. But in this case, Mrs T's RBS account was her main account, and I do not think that RBS was required to request copies of statements from any other accounts. Mrs T's RBS account did show some gambling transactions, but I do not find that these were at a level that meant RBS should have been concerned or asked further questions about this. As I have nothing to suggest that Mrs T informed RBS at the time of her application that she was gambling, I do not find I can say it should have been aware that this was an issue for her.

Taking everything into account, for the reasons I set out in my provisional decision, and those noted above, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T to accept or reject my decision before 20 June 2025.

Jane Archer
Ombudsman