

The complaint

Mrs S complains that Metro Bank Plc trading as RateSetter (“RateSetter”) irresponsibly provided her with a loan she couldn’t afford.

What happened

In April 2023 Mrs S applied for a loan for debt consolidation with RateSetter. They offered her a £15,000 loan, with an APR of 7.54% and an additional loan fee of £174.00. The monthly repayment amounts were £257.83.

Mrs S complained to RateSetter in December 2024. She said she never should’ve been given the loan, and that since being given the loan she’s had to rely on credit cards to pay for food. She asked for a refund of interest and charges.

RateSetter responded to the complaint in the same month, rejecting the complaint. They said they consider affordability of the loan, credit score and credit history to determine if the loan was appropriate and they’re satisfied all criteria was met and the loan wasn’t irresponsible.

The complaint was referred to our service in April 2025. An Investigator here looked into things. They said the checks were proportionate and the assessment showed Mrs S would have ample disposable income after the loan repayments. So they also didn’t uphold the complaint.

Mrs S responded saying RateSetter have assumed her net pay is much higher than it actually was and didn’t count all bills she was paying. She provided the Service with her bank statements to demonstrate she used the overdraft each month around the time the loan was taken out.

Because an agreement couldn’t be reached, the complaint has 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.

Having done so, I’m in agreement with the Investigator. I know this is likely to come as a disappointment to Mrs S, but I’ll explain my reasoning below.

The rules and regulations in place at the time RateSetter provided Mrs S with the loan required them to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This is sometimes referred to as an ‘affordability assessment’ or ‘affordability check’.

The checks had to be ‘borrower’ focused. This means RateSetter had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mrs S.

In other words, it wasn't enough for RateSetter to consider the likelihood of them getting the funds back or whether Mrs S' circumstances met their lending criteria – they had to consider if Mrs S could sustainably repay the lending being provided to her.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether RateSetter did what was needed before lending to Mrs S.

When Mrs S applied for the loan, RateSetter gathered information regarding her financial circumstances. It recorded that she was earning a salary of around £72,000 per year and had outstanding debt of around £55,000. Mrs S had didn't have any defaults at the time of application and all external accounts were managed well. Mrs S declared that her mortgage was £650 per month, so while I note her comments regarding RateSetter assuming it, they took the information she'd input at application. From looking at the data provided after verifying Mrs S' income, they adjusted the met monthly to around £3,600, which is in line with what Mrs S tells the Service she was receiving. This was collated using the information Mrs S declared at application, and an external credit check.

I believe the checks RateSetter carried out were proportionate, and considering the loan was for debt consolidation, which Mrs S told RateSetter clearly what she was going to pay off and reduce, as well as the information they gathered in these checks, I don't think they acted unfairly when providing her with the loan. I say this because it was for debt consolidation which would reduce her monthly outgoings had she paid off what she'd declared she was going to, and there were no signs of financial difficulty in the past. It wouldn't be a significant cost for Mrs S to repay this credit in a reasonable period of time based on her salary and existing credit commitments.

Mrs S has said she doesn't think RateSetter ought to have looked at her statements at the time, but she feels they provide more context about her financial situation. While I'm not required to, I did take a cursory look at Mrs S' statements, and I don't think they add anything to the complaint. Although Mrs S uses the overdraft, it's used as intended, for short-term emergency borrowing. Mrs S was investing a significant amount of money too – so I can't say these would make a difference in any event.

I accept Mrs S was likely in financial difficulty, and I know she's since been to a third party debt charity for support, but the struggles she was facing weren't evident at the point in time she applied for this loan, and so I can't hold RateSetter responsible for something they can only be aware of now, using hindsight.

In reaching my conclusions, I've also considered whether the lending relationship between RateSetter and Mrs S might have been unfair to Mrs S under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that RateSetter did not lend irresponsibly when providing Mrs S with the loan. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So while it'll likely come as a disappointment to Mrs S, I won't be upholding her complaint against RateSetter for the reasons explained above.

My final decision

It's my final decision that I do not uphold Mrs S' complaint against Metro Bank Plc trading as RateSetter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 18 September 2025.

Meg Raymond
Ombudsman