

## **The complaint**

Mr S complains TSB Bank plc irresponsibly provided him with a personal loan.

## **What happened**

TSB Bank provided Mr S with a loan of £17,000 in February 2023. The loan was repayable over 48 monthly instalments of around £435, and had a total repayable value, including interest, of around £20,860.

Mr S complained to TSB Bank in November 2024. He said had it completed proportionate checks it would have identified this loan was unaffordable for him. Mr S said this because of the pattern of compulsive spending and gambling that was present on his TSB Bank current account in the month leading up to the loan being approved. Mr S says TSB Bank therefore made an irresponsible lending decision.

TSB Bank issued a final response letter in January 2025 in which it didn't uphold Mr S' complaint. It said its checks were proportionate to the terms of lending being provided, and that it had made a fair lending decision when providing this loan.

Unhappy with TSB Bank's response Mr S referred his complaint to our service.

Our investigator reviewed the details and upheld Mr S' complaint. He didn't consider TSB Bank had completed proportionate checks based on the information declared within the application, and what it had identified through its checks. Our investigator then went on to consider what more detailed checks would likely have shown, and concluded that TSB Bank ought reasonably to have identified Mr S wasn't a suitable candidate to lend to. Our investigator recommended fair redress in this case would be for Mr S to repay the capital value lent; however, that he shouldn't have to pay interest and charges, and that any adverse information should be removed from his credit file once any outstanding balance is repaid.

Neither party agreed with our investigator's view.

Mr S made us aware of some sensitive information about how the provision of this loan has affected his health, which I am sorry to hear. He provided a detailed response to the view which I've summarised as:

- TSB Bank's checks needed to be more detailed, verifying his actual income and taking into account his base salary, rather than overtime additions which were never guaranteed.
- TSB Bank should have verified his expenditure, and that had it done so it would have identified regular high value monthly repayments to a family member, as well as multiple examples of other borrowing being obtained in the lead up to this loan.
- Proportionate checks would have led TSB Bank to identify patterns of compulsive spending and gambling, and that this loan was unsustainable and unaffordable.
- Fair redress would be for the outstanding balance to be written off, a refund of payments already made with interest, and an award for distress and inconvenience.

TSB Bank said it didn't think the payments Mr S made to an online trading platform should be considered as compulsive spending. It maintained its arguments that it completed proportionate checks and reasonably concluded the loan was affordable and sustainable.

As an agreement couldn't be reached the case was referred for an ombudsman's review and 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.

The information in this case is well known to Mr S and TSB Bank, 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; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mr S or TSB Bank 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.

At the time TSB Bank provided this loan it needed to take reasonable steps to ensure it was affordable and sustainable for Mr S. There isn't a set list of checks TSB Bank needed to conduct, but we'd expect the checks to be proportionate to the terms of lending being provided. In practice this means we generally consider a lender's checks need to be less thorough at the early stages of a lending relationship – in terms of the information it obtains and looks to verify to reach its decisions. But if there's a higher risk of the lending being unaffordable or unsustainable – for example, a relatively high level of lending over a relatively long repayment term – or the lender identifies information through its checks which is contradictory or ought reasonably to cause it concern; we'd expect more detailed checks to be completed for the lender to be able to evidence it didn't lend irresponsibly.

I've used this approach to help me decide this complaint and I've set out my findings below, under separate headings for ease.

#### The lending decision

TSB Bank has said before providing this loan it obtained Mr S' declared income and verified this through the wage crediting his bank account held with it. It says Mr S declared he had no monthly expenditure as he was living with parents, and that it completed a credit check to understand Mr S' existing credit commitments.

TSB Bank says it considers these checks were proportionate and that it was able to conclude this loan would be affordable for Mr S. It therefore says it made a fair lending decision when approving this loan for Mr S.

I've carefully considered TSB Bank's arguments. Having done so, I'm not persuaded its checks were proportionate, or that it went on to make a fair lending decision when providing Mr S with this loan.

I say this because TSB Bank hasn't provided us with the data it obtained through its checks, or the affordability calculation it conducted. So, I can't be satisfied how it came to its decision

that this lending was fairly provided. In any event, based on what TSB Bank has told us about the level of checks it completed, I don't consider these were proportionate to the terms of lending being provided, or what TSB Bank ought reasonably to have identified about Mr S' circumstances.

TSB Bank was tying Mr S into a significant value loan with sizeable repayment terms. So, it's checks needed to ensure Mr S could sustainably afford this agreement across the full term. TSB Bank has said it obtained Mr S' declared expenditure, as well as verifying his income. However, I consider proportionate checks ought reasonably to have led to it verifying Mr S' actual expenditure, rather than relying on his declarations; especially as he'd declared £0 for non-discretionary expenditure, including food, clothing and leisure.

I also note that Mr S had declared he had no outstanding debt, however the purpose of this loan is recorded as refinancing of non TSB Bank debt. So, the information provided by Mr S and what TSB Bank knew, or ought reasonably to have known, was contradictory.

I think it would have been reasonable for TSB Bank to question why Mr S was looking to refinance debt when it appeared he had none. And, why he couldn't repay existing debt within a reasonable period of time, given he'd declared he had no non-discretionary expenditure each month, therefore suggesting his income was all disposable.

TSB Bank could have verified Mr S' expenditure in a number of ways. As I've set out above, Mr S banked with TSB Bank so it could have reviewed the transactions through the account to understand his actual financial situation, especially as it has confirmed it verified Mr S' income by way of his wage crediting his TSB Bank account.

Had TSB Bank completed proportionate checks I consider it ought reasonably to have concluded that this lending wouldn't be sustainable for Mr S, and therefore it shouldn't have provided him with the loan.

I say this because I consider proportionate checks would have led to TSB Bank identifying Mr S had obtained borrowing from a number of other lenders, totalling around £11,000, across a six week period leading up to this loan being provided. These lenders were generally high cost credit providers, suggesting less favourable lending terms, and that Mr S was actively seeking quick access to credit.

I consider TSB Bank would also have reasonably identified Mr S was making a large volume of payments to an online trading platform; and that the frequency and value of the transactions suggested some level of compulsion. Across the same six week period where Mr S obtained around £11,000 of borrowing, he made over 60 transactions to an online trading platform, totalling around £12,500. Across two days alone Mr S made in excess of ten separate transactions each day to the platform. I acknowledge Mr S did receive one credit from the trading platform during this same period, of around £6,550. While on a strictly pounds and pence basis this reduces the overall value of funds held with the trading platform, it doesn't remove the behaviours and management of the account that was evident to TSB Bank.

I also note that Mr S' behaviours and management of his TSB Bank current account had significantly changed in the six weeks leading up to this lending decision. Ordinarily Mr S' account was credited a couple of times a month, with his wage and some transfers, and the balance generally ran at around the high hundreds, on average. There were some easily identifiable transactions to online gambling companies, but nothing of a level I'd consider ought reasonably to have caused TSB Bank concern. However, as I've set out above, Mr S' management of the account significantly changed in the lead up to this lending being provided, and I consider this should have been of concern to TSB Bank.

I acknowledge Mr S has pointed to payments suggesting this loan was unaffordable for him; and TSB Bank has pointed to transactions to the online trading platform not being of concern to it. However, given my findings above, I'm satisfied that proportionate checks ought reasonably to have led to TSB Bank identifying Mr S wasn't going to be able to sustainably afford to repay this loan. So, it therefore follows I don't consider it made a fair lending decision when agreeing to provide Mr S with this loan.

#### Mr S' request for the outstanding balance to be written off

Mr S has said the outstanding loan balance should be written off. In support of this argument he's said the loan shouldn't have been provided, so it follows he wouldn't have had the funds which were largely spent, and lost, on trading and gambling.

I've thought very carefully about Mr S' testimony and arguments in relation to this point. Having done so, I'm not persuaded that TSB Bank should write off the outstanding debt, or refund any payments Mr S has already made towards the loan.

I say this because while I've found above that TSB Bank shouldn't have provided Mr S with this loan, our service's general approach to redress is to put a customer back in the position they would have been in had the lending not been provided. However, with lending, a customer has had the use of the funds that were lent.

I acknowledge Mr S' arguments that TSB Bank ought reasonably to have been aware that he was spending compulsively and it should reasonably have identified this. However, a large proportion of Mr S' spending from his TSB Bank account in the month leading up to this loan being provided was to an online trading platform.

I'm mindful that payments to an online trading platform aren't considered by lenders as gambling, or in the same category as gambling, and I don't consider that to be unreasonable. These types of merchants have different Merchant Category Codes (MCCs) to those of gambling companies, and as a result will be less obvious to a lender through its automated checks.

I consider it reasonable to take into account that there are many individuals who regularly trade with online platforms, which would more likely be considered as investing, and carry risks associated with investment products and services.

While I consider TSB Bank ought reasonably to have been aware of Mr S' pattern of spending through his bank account in the months leading up to this loan; I can't agree that TSB Bank ought reasonably to have been aware the loan would solely, or mostly, be used to further support Mr S' compulsive spending. Neither can I reasonably conclude TSB Bank ought reasonably to have considered, or known, that Mr S would use the funds towards gambling. I say this because the transaction history of Mr S' account in the lead up to this loan didn't evidence an obvious volume of debits to online gambling companies, which I would have considered ought to have caused TSB Bank some concern.

I've seen from the contact notes TSB Bank has provided that after Mr S started to make multiple transaction to online betting companies following the provision of the loan, it placed blocks on his account on multiple occasions. Mr S was required to contact it to discuss the legitimacy of the transactions. So, to some extent TSB Bank was looking to mitigate Mr S' use of the loan to online gambling companies.

So, I've not been presented with evidence which leads me to conclude I should depart from our service's general approach to redress for irresponsible and/or unaffordable lending complaints in the individual circumstances.

It therefore follows I'm not recommending TSB Bank write off the outstanding debt. However, I would remind it of its obligations to treat Mr S fairly and sympathetically when engaging with him to recover the outstanding debt.

Has TSB Bank acted unfairly or unreasonably in any other way?

Mr S has said the provision of this loan has caused him financial loss and distress and inconvenience. He's said the repayments he's already made to the loan should be refunded, together with statutory interest. Mr S has also said he should be paid compensation for the distress and inconvenience caused.

I would like to set out at this point that I am sorry to hear of the impact Mr S says this loan has had on him, both from a health and a financial point of view. I don't doubt Mr S' testimony and I hope, as he appears to have gained control of his finances with the support of a Debt Management Company (DMC) and a Debt Management Plan (DMP), that he has also been able to obtain support with his health.

As I've found above that Mr S is liable to repay the capital amount lent, it follows that I'm not concluding TSB Bank should refund him any payments he's made to the loan that total below the capital amount lent.

I've also considered Mr S' arguments for compensation. To be persuaded that TSB Bank should pay Mr S compensation I would need to be satisfied that the sole actions of TSB Bank in providing this lending have caused the impact he's set out within his testimony.

Given the evidence available to me, I can't reasonably be satisfied that it is solely TSB Bank's actions that have caused this impact to Mr S.

I say this because I'm mindful that Mr S had obtained multiple loans from other lenders before obtaining this loan from TSB Bank. And within Mr S' testimony he's set out that he had an informal monthly arrangement in place with a parent, who had taken out a sizeable loan of £20,000 to repay existing debts he had accrued through gambling.

I acknowledge it was likely the provision of this loan that ended up being the tipping point, and ultimately led to Mr S entering a DMP. But I can't reasonably conclude it was solely TSB Bank's actions in providing this loan which led to the personal and financial impact on his circumstances; especially given the history of lending and spending behaviours Mr S has made us aware of that had taken place before the provision of this loan.

So, I don't consider TSB Bank needs to pay Mr S compensation in the individual circumstances of this case.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm directing 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.

I acknowledge this decision will be disappointing to Mr S. In reaching this conclusion and setting out my findings above I'm in no way intending to downplay the impact this loan has had on him. But, for the reasons set out above, I consider fair redress in resolution of this

complaint is for Mr S to repay TSB Bank the capital amount it lent.

### **Putting things right**

As I don't think TSB Bank ought to have provided this loan, it follows I don't consider it's fair for it to be able to apply any interest or charges. But I think Mr S should pay back the capital amount lent. Therefore, I'm directing TSB Bank to take the following action to fairly resolve this complaint:

- Add up the total repayments Mr S has made and deduct these from the total amount of lending he received.

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). \*TSB Bank should also remove all adverse information regarding this account from Mr S' credit file.

OR

- If a capital balance remains outstanding TSB Bank should arrange an affordable and suitable payment plan with Mr S. Once Mr S has repaid the outstanding balance any adverse information relating to the account should be removed from his credit file.

\*HM Revenue & Customs requires TSB Bank to deduct tax from this interest. It should give Mr S a certificate showing how much tax it's deducted if he asks for one.

I understand Mr S is in a DMP and payment arrangements are in place; so, TSB Bank should treat Mr S fairly and sympathetically while recovering this debt and engaging with him or his DMC.

If TSB Bank has sold or passed this debt to a third party, it should ensure the above redress is carried out, by either buying the debt back or requiring the third party to take this action.

### **My final decision**

My final decision is that I'm upholding Mr S' complaint about TSB Bank plc and I direct it to take the above action in fair resolution of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 October 2025.

Richard Turner  
**Ombudsman**