

The complaint

Mrs H has complained about a personal loan that The Royal Bank of Scotland Plc (“RBS”) provided to her.

What happened

In October 2018, RBS provided Mrs H with a loan for £25,000. The loan was taken out for home improvements and was due to be repaid in 60 monthly instalments of £337.79.

One of our investigators reviewed what Mrs H and RBS had told us. And she thought that RBS hadn’t done anything wrong or treated Mrs H unfairly. So she didn’t recommend that Mrs H’s complaint be upheld.

Mrs H disagreed with our investigator and asked for an ombudsman to look at her complaint.

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.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs H’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mrs H’s complaint. I’ll explain why in a little more detail.

RBS needed to make sure that it didn’t lend irresponsibly. In practice, what this means is RBS needed to carry out proportionate checks to be able to understand whether Mrs H could afford to repay before providing the loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

RBS says it agreed to Mrs H’s application after she’d provided details of her monthly income and some information about her expenditure. It says it cross-checked this with what it already knew from her existing lending history with them as well as looking at her account activity and management. RBS also relied on a credit search. All of this information showed Mrs H could afford to make the repayments she was committing to.

RBS says the application was automatically accepted. So it didn't find any adverse markings when carrying out its checks, such as late payments or defaults, on her other borrowing. From what I've seen Mrs H was managing her existing credit reasonably well. This included a previous loan she'd taken out with RBS, which was to be settled when the new loan was approved.

Nonetheless, I've considered Mrs H's RBS current account statements in order to get an idea of what RBS is likely to have seen at the time of the lending. I've also looked at the evidence and information Mrs H provided about her financial circumstances. Having considered all this, I've not seen enough to show or suggest that Mrs H might have been over-extending her borrowing capability.

I've noted she was making regular use of her overdraft at the time – something that can be a potential indicator of concern – but I don't think the way she was using it was enough on its own to suggest she'd have difficulty meeting the new loan repayment alongside her existing financial commitments. Similarly, from what I've seen I can't reasonably say she was managing her finances in such a way that there was or might have been a real risk that her financial circumstances could deteriorate. The overall picture I gain is that Mrs H was in control of her finances. That leads me to conclude that it wouldn't be unreasonable for RBS to consider she'd be unlikely to have difficulties meeting the payments that would be due. In any event, I've seen that the new payment would be £85 less than her existing RBS loan.

Focusing in particular on Mrs H's regular living costs and her income, she does appear to have had enough disposable income to be able to make the payments to the new loan. I think RBS might have reached the same conclusion too. So it's difficult for me to fairly say that RBS needed to do more or that it should have decided against lending to Mrs H.

I accept it's possible that Mrs H's actual circumstances might not have been fully reflected either in the information she provided, or the information RBS obtained. But what I've seen is enough to satisfy me that she had sufficient funds in her account to be able to sustainably repay the new loan.

As this is the case, I don't think that RBS did anything wrong when deciding to lend to Mrs H. All the information provided indicates that proportionate checks would have suggested that the repayments for the loan were affordable and that Mrs H was likely to be able to repay them sustainably. So I don't think that RBS acted irresponsibly.

I know Mrs H is disappointed with our investigator's assessment. But we are an evidence-based service, and I'm only able to make my findings based on the evidence and information that's been made available to me. In this decision I've looked carefully at the question of whether RBS acted fairly in its lending decision, so that the loan was likely to be affordable to Mrs H and repayable by her in a sustainable way. Based on that, I'm satisfied the lending decision was fair.

Overall and having considered everything, it follows that I've not been persuaded to uphold Mrs H's complaint. I hope that she will understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

I've also considered whether the relationship between Mrs H and RBS 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 H or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained, I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 12 November 2025.

Michael Goldberg

Ombudsman