

The complaint

Miss S complains that National Westminster Bank Public Limited Company (“NatWest”) did not complete adequate affordability checks and had it done so, it would have seen the loan offered and advanced to her (by it) was unaffordable. Miss S says she was in financial difficulty at the relevant time, and this should have been evident from her bank statements. Miss S said that NatWest didn’t provide clear and comprehensive information about the loan before it was provided.

What happened

Miss S has been a customer of NatWest for a number of years and in August 2019 applied for and was approved for a personal loan. The loan was for £10,000 and was to be repaid over 96 months with monthly instalments of £194.

In September 2024, Miss S complained to NatWest that it had provided the loan irresponsibly.

On 24 September 2024, NatWest issued Miss S with a final response letter (“FRL”). Under cover of this FRL, NatWest explained how it assessed Miss S’s affordability for this loan and concluded that it hadn’t lent irresponsibly and didn’t uphold the complaint. Unhappy with this FRL, Miss S brought her complaint to our service.

Our investigator didn’t uphold Miss S’s complaint.

Miss S didn’t agree. She says NatWest should have checked her bank statements and had it done so, it would have seen she was in financial difficulty and couldn’t afford the loan.

As Miss S didn’t agree, the case has been passed to me to make a decision.

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.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

NatWest will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Miss S's complaint. Having looked at everything I have decided to not uphold Miss S's complaint for the same reasons as our investigator and I've explained why below.

Miss S was approved a £10,000 loan with an APR of 19.1 %. The total cost of the loan was £18,705.

As part of Miss S's application, she declared she was employed and receiving a monthly income of £2,000. She also declared that she was paying £469 towards her rent, paid £717 towards living costs, had only £21 of existing monthly debt including revolving credit, and that she had one dependant. Miss S told us that the loan was for buying a car although NatWest recorded the loan as being for personal expenditure. The above income and expenditure left Miss S with a disposable income of approximately £793 in which to pay the facility.

NatWest says a customer must pass several assessments in order to qualify for lending. It considered Miss S's declared income and outgoings and used a combination of statistical data which uses national averages as well as credit reference agency data to assess the application from both a creditworthiness and affordability perspective. NatWest says Miss S passed all these assessments, so the lending was granted.

NatWest has provided the results of Miss S's credit check although I've not seen the raw data it relied on. NatWest said it showed she had no defaults or County Court Judgements (CCJ's), was not in arrears at the time, and was not subject to a bankruptcy arrangement.

Miss S felt that NatWest should have conducted further checks such as looking at her statements and our investigator concluded that due to the size of the loan and the lengthy repayment period, its checks weren't proportionate enough. But I don't agree and don't need to make a finding on this aspect as even if NatWest had looked at Miss S's statements, I still think it would have made the decision to lend. Given the information NatWest was provided by Miss S and the information it already knew about her by the way she managed her account over several years, I think the checks it conducted were proportionate, even considering the size and period of the loan. And NatWest's automatic underwriting system would have considered the conduct of the account before approving the loan.

I say this as Miss S had no adverse information from the credit checks it conducted, and as Miss S already banked with NatWest, it would have been aware of the state of her current account at the time. And although I can see that Miss S was constantly using her overdraft facility, she had from the evidence I've seen, never exceeded the limit or had any direct debits returned and had an income of over £2,000 going into the account each month.

So on balance, I think the loan repayments of £194 appeared affordable and sustainable. It's important to note that Miss S told us that this loan was to be used for a car purchase but NatWest said it was for personal expenditure. When the loan amount was transferred into Miss S's account, it returned it to a credit balance and she also transferred amounts of £5,000 and £1,000 to other accounts. But regardless of why the loan was required, I think some of it could have been used for debt consolidation including returning her current account to a credit balance for a sustained period of time.

I'm sorry to hear Miss S's circumstances were more difficult than NatWest was aware of, and that this loan contributed to further financial difficulties for her. I've considered whether there were any signs that Miss S would struggle to afford as well as sustain these loan repayments, but I can't fairly conclude that NatWest received information about her finances suggesting this would be the case.

My final decision is that I don't uphold Miss S's complaint for the reasons given above. I appreciate that Miss S will be disappointed with this. But having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that NatWest made an unfair lending decision.

Did NatWest act unfairly in any other way

Miss S also complained that NatWest didn't provide her with clear and comprehensive information regarding the terms, interest rates, fees and charges before the loan was approved and that she felt pressurised into accepting the loan. But from the evidence I've seen, Miss S made the application online and was sent a copy of the terms and conditions, which explained all about the terms and charges. Miss S also had the option of not proceeding with the loan after being sent a copy of the terms and conditions but instead chose to accept it.

I've also considered whether NatWest acted unfairly or unreasonably in any other way, including whether the relationship between Miss S and NatWest 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 NatWest lent irresponsibly to Miss S 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.

Although I'm not upholding Miss S's complaint, I would like to remind NatWest of its ongoing obligation to exercise forbearance and due consideration if Miss S has difficulty making her existing loan payments going forwards

My final decision

My final decision is that I don't uphold this complaint against National Westminster Bank Public Limited Company.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 29 July 2025.

Paul Hamber
Ombudsman