

The complaint

Mrs A has complained through a representative that The Royal Bank of Scotland Plc (“RBS”) provided her with a loan without carrying out sufficient affordability checks.

What happened

Mrs A was granted one loan on 4 July 2019 for £11,000. With the interest fees and charges Mrs A was due to pay a total of £15,430.80. This was to be repaid by 60 monthly payments of £257.18. The loan was repaid in September 2023.

Following Mrs A’s complaint RBS explained it wasn’t going to uphold the complaint as the checks it conducted showed the loan to be affordable. Unhappy with this response, the complaint was referred to the Financial Ombudsman.

The complaint was considered by an investigator who didn’t uphold the complaint. Mrs A’s representatives didn’t agree and across a number of emails made a number of points which I’ve summarised below.

- The information the representative had, suggested that Mrs A’s total outstanding debt balances were greater than RBS was told.
- Mrs A used the revolving credit accounts to withdraw cash.
- Given the low amount of disposable income, using estimates for Mrs A’s expenditure wasn’t proportionate.
- Mrs A used some of the funds for debt consolidation purposes – and this ought to have prompted RBS to carry out further checks to ensure the payments were sustainable rather than as a ‘*short-term fix*’.
- Without financial checks it can’t be assumed that Mrs A wasn’t having difficulties.

These points didn’t change the investigator’s mind and as no agreement could 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.

We’ve set out our general approach to complaints about unaffordable/irresponsible lending - including all of the relevant rules, guidance and good industry practice - on our website. And I’ve used this approach to help me decide Mrs A’s complaint.

RBS needed to make sure it didn’t lend irresponsibly. In practice, what this means it needed to carry out proportionate checks to be able to understand whether Mrs A could afford to repay any credit it provided.

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 checks to be less thorough – in terms of how much information is gathered and what is done to verify it – in the early stages of a lending relationship.

But we might think more needed to be done 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 firm to be able to show that it didn't continue to facilitate a customer's loans irresponsibly.

I've carefully considered all of the arguments, evidence and information provided in this context and what this all means for Mrs A's complaint. Having looked at everything I have decided to not uphold Mrs A's complaint, and I've explained why below.

RBS has explained the checks that were carried out before it lent. It says, Mrs A was asked about her income and her outgoings. This left a "*...net free funds figure...*" which was used to assess the affordability of the loan. RBS also carried out a credit search and used the results it received as part of the affordability assessment.

As a starting point, RBS as the lender was entitled to rely on the information Mrs A gave in her application – unless RBS knew, or ought to have known that what she declared was inaccurate or required some more research. Based on the information gathered from Mrs A RBS says the loan looked affordable.

RBS says this loan was for "*...refinance...*" and I can see from the statement of account provided to us that Mrs A received the full amount of the loan funds before using over half of the funds to pay towards a credit card. So, it does seem that Mrs A used the funds for the intended purposes.

I've thought about whether that ought to have led to RBS carrying out further checks, as suggested by Mrs A's representative. But I don't agree that just because she said the loan was to be used to repay other debt that it meant RBS needed to do more. For a first loan, I think it was entirely fair and reasonable for RBS to accept what Mrs A was telling it about why she needed the loan.

Mrs A's declared income was £1,940 per month. RBS doesn't appear to have just accepted what Mrs A told it. RBS says one of its systems generated an average account turnover figure – which RBS says would've given it a good idea of Mrs A's monthly income. However, RBS says the figure it was given was over £3,000 per month and so to err on the side of caution it went with the income figure declared by Mrs A.

But it is worth saying here, that had RBS looked at Mrs A's statement – or for example asked for a wage slip - then I think it would've seen that her actual monthly income from her employment was £2,133. But whether RBS used the actual monthly income, or the amount Mrs A declared wouldn't have made a difference, as the loan appeared affordable.

RBS says a credit search would've been carried out and it says that the results didn't indicate that she had any problems managing her existing credit commitments. It says there were no defaults, insolvencies or County Court Judgements (CCJs) and so there wasn't anything to have prompted further checks.

As I said, Mrs A was asked about her living costs each month to cover items such as housing costs, living costs and other credit commitments including for existing loans and credit cards. Mrs A declared her outgoings came to £1,552 each month. This left just under

£400 in which to afford the repayment of around £257. The loan would've appeared affordable.

And it may well be that RBS wasn't entirely aware of the total outstanding debt that Mrs A had at the time, but it didn't have anything to suggest from the information it gathered from Mrs A that it wasn't reasonable to have relied on the self-declared living costs.

I accept that RBS may not have asked Mrs A for further information about her household bills and expenditure beyond relying on what Mrs A declared. However, given what would be left over from his monthly income once her payments were deducted, I'm satisfied that a detailed breakdown of Mrs A's non-credit related expenditure wasn't necessary here.

Given the checks that RBS did carry out I'm satisfied that these were proportionate and showed the loan payments to be affordable, it didn't need to do any more before it lent to Mrs A. As these checks are likely to have shown that Mrs A had sufficient disposable income to make the required payments, I've therefore decided to not uphold his complaint about the loan.

Mrs A's representative has queried the amount of left over income after the loan payments as not being sustainable. But it is worth saying here that Mrs A's income was greater than she had declared and would've been something RBS could've readily found out.

I've also considered what the representative has said about just because there had been an ongoing relationship between Mrs A and RBS for a number of years that didn't make the loan affordable. I would agree, but for the reasons I've set out above, I think RBS did enough in terms of its checks before it lent.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think RBS lent irresponsibly to Mrs A 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.

My final decision

For the reasons I've outlined above, I am not upholding Mrs A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 8 August 2025.

Robert Walker
Ombudsman