DRN-5655772

The complaint

Miss T complains that Metro Bank PLC trading as RateSetter was irresponsible in its lending to her. She wants all interest and charges paid on the loan refunded and any adverse information regarding the loan removed from her credit file.

What happened

Miss T was provided with a £12,500 loan by RateSetter in August 2023. The loan term was 36 months and Miss T was required to make monthly repayments of £439.51.

Miss T said the loan was unaffordable. She said at the time the loan was given, she had four defaults on her credit file, was at the limit on her seven credit cards and had taken out payday loans. She said shortly before this loan she took out another £7,000 loan which she used to repay other debts. Miss T said her credit file showed she had significant financial problems and so she shouldn't have been given any further credit.

Miss T said that the RateSetter loan extended her financial difficulties as well as making her health conditions, particularly her mental health, worse.

RateSetter issued a final response dated 13 November 2024, not upholding Miss T's complaint. It explained that Miss T said the purpose of the loan was debt consolidation and that before the lending was provided it carried out affordability and credit checks. RateSetter said that Miss T declared her income as £62,000 a year and this was verified electronically. It noted that her credit check showed she hadn't missed any repayments or defaulted on other credit in the previous six months, had no county court judgments and had not been declared bankrupt. RateSetter said Miss T met its minimum lending requirements and that she made all the payments on the loan until it was repaid in full in May 2024.

Miss T referred her complaint to this service.

Our investigator didn't uphold this complaint. They thought the checks RateSetter undertook before the loan was given were reasonable and that the checks didn't give any reasons why the lending shouldn't have been provided.

Miss T didn't accept our investigator's view. She referred to other complaints she had made from around the same time which had been upheld.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss t was provided with a £12,500 loan requiring monthly repayment of around £440. Given the size of the loan and the repayments we would expect RateSetter to get a clear understanding of Miss T's financial situation before lending. RateSetter gathered information from Miss T about her employment, income and residential status. Miss T declared that she was employed full time with an annual income of £62,000 and was a tenant paying £800 a month rent. Miss T's income was verified using credit reference agency data.

A credit check was carried out which showed she had a total of around £6,616 of debt including loans and credit cards. Miss T's active accounts were up to date and no recent defaults or county court judgments were recorded.

As Miss T's income was verified and noting the size of the repayments compared to her net monthly income, and that her credit file showed she was managing her active accounts, I think the checks were proportionate. However, just because I think the checks were proportionate, it doesn't necessarily mean that I think the loan should have been given. To assess this, I have looked at the information received through the checks to see if this should have raised concerns.

Miss T's credit check results show that she had defaulted accounts. However, these were historic (2017 and 2018), and Miss T explained how these arose, and they had been satisfied. So, I do not think the defaults, on their own, meant that the loan shouldn't have been given. Miss T's recent credit data didn't raise concerns about how she was managing her commitments with all her accounts being up to date. The credit check recorded she had three payday loans within the previous 12 months, however these had all been settled without issues and the most recent had been taken out in February 2023. Miss T had seven active credit card accounts, but she only had balances on four of these and these were being well managed. Miss T's overall credit limit utilisation was around 38%. So, while there was some adverse information on Miss T's credit file, the recent data didn't show signs that she was struggling to manage her existing commitments or that she was overindebted, and noting the purpose of the loan was debt consolidation, I do not think that the credit data meant the loan shouldn't have been given.

Miss T's monthly net income was recorded as around £3,540. This was verified using a credit reference agency tool. She declared monthly housing costs of £800. While I do not think that RateSetter was required to request copies of Miss T's bank statements, Miss T has submitted her statement for August 2023 and this shows income from employment and benefits of around £3,224. There were also some additional payments into the account. Miss T had existing credit commitments and had recently taken out a loan for £7,000 which didn't show on her credit report. However, given the RateSetter loan was for debt consolidation, and Miss T listed the £7,000 loan, along with her credit card debts in her application, I think it reasonable to expect this new loan to be replaced by the RateSetter loan. This would leave Miss T, after the debt consolidation, with repayments on another loan of around £107 along with the new RateSetter loan. Based on these figures, I do not think that RateSetter was wrong to consider the loan affordable for Miss T.

Miss T has referred to other complaints that she has had upheld. However, we treat each case based on its unique circumstances, and in this case, while I appreciate it will be disappointing for Miss T, I do not find I can uphold this complaint.

I've also considered whether RateSetter acted unfairly or unreasonably in some other way given what Miss T has complained about, including whether its relationship with Miss T might have been viewed as unfair by a court under Section 140A of the Consumer Credit Act

1974. However, for the reasons I’ve already given, I don’t think RateSetter lent irresponsibly to Miss T 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

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss T to accept or reject my decision before 3 October 2025.

Jane Archer
Ombudsman