

The complaint

Mr T complains that Metro Bank PLC trading as RateSetter was irresponsible in its lending to him. He wants to be refunded all interest and charges on the loan and for RateSetter to review and reform its lending practices.

What happened

Mr T was provided with a £5,000 loan in April 2021. The loan term was 24 months, and Mr T was required to make monthly repayments of £243.20.

Mr T said that adequate checks weren't carried out before the loan was provided and appropriate consideration wasn't given to his vulnerability. Mr T said he was gambling at the time which could be seen from his bank statements and that he was struggling financially with credit card and payday loan debt. He said the RateSetter loan pushed him further into debt and financial hardship. Mr T said he had to borrow more to meet his repayments.

RateSetter issued a final response dated 3 February 2025. It said that before lending it verified Mr T's declared income and carried out affordability and credit checks. It said that Mr T met its lending criteria and so the loan was approved. It said that as it was able to verify Mr T's income it wasn't required to obtain copies of his bank statements. RateSetter didn't accept that it had lent irresponsibly.

Mr T referred his complaint to this service.

Our investigator didn't uphold this complaint. She thought the checks carried out before the loan was provided were proportionate and as these suggested the loan to be affordable, she didn't think that RateSetter was wrong to provide it. Our investigator noted Mr T's comment about his gambling but said she didn't think that RateSetter was required to request copies of his bank statements as part of its checks and so she didn't think it should have identified Mr T's gambling.

Mr T didn't accept our investigator's view. He provided copies of his bank statements which showed his gambling which he believed should have been identified. He said that checks weren't carried out in line with the regulations and the loan was not provided responsibly. He explained that he had repaid the loan in full and was only asking for the fees and interest to be refunded which he considered a fair outcome.

Our investigator responded to Mr T's comments reiterating that she didn't think that RateSetter was required to obtain copies of Mr T's bank statements and that she thought the checks undertaken were proportionate given the size and cost of the loan.

As Mr T didn't accept our investigator's view, and a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

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.

Mr T has referred to certain regulations. I want to confirm that when making my decision, I take all relevant rules, regulations and industry guidance into account, but my decision is based on what I consider fair and reasonable given the unique circumstances of the complaint.

Mr T received a £5,000 loan with a 24-month term. He was required to make monthly repayments of £243.20. As part of the application process, RateSetter gathered information about Mr T's employment, income, residential status and the purpose of the loan. Mr T declared that he was working full time with an annual income of £20,000. He said he was renting with monthly rent of £280 and that the loan was for home improvements. A credit check was undertaken which recorded Mr T having two credit card accounts and a current account. He had no outstanding balances on these accounts and there was no recent adverse information recorded on his credit file.

While I note Mr T's comments about the extent of the checks carried out and the size of the loan, I think in this case the checks were proportionate. I say this because Mr T's credit file didn't raise any concerns and while he had access to credit, he had no outstanding debt at the time. Therefore, I cannot say the credit file showed signs of financial difficulty that would have required further questions to be asked.

Regarding the affordability of the loan, Mr T's declared income of £20,000 was calculated to give a monthly net income of around £1,427. While I do not think that RateSetter was required to request copies of Mr T's bank statements, these support the net monthly income that RateSetter used in its calculations. The RateSetter loan would require a reasonable portion of Mr T's income for the repayments, but given Mr T didn't have other debts at the time, I do not find I can say that his credit payments were at a level that appeared unsustainable or that this loan would result in him being overindebted. I also note that Mr T had declared his monthly rent as £280 and so based on his declared income, this would leave around £900 after the loan repayments for his other living costs and additional expenses. I do not think this should have raised concerns.

So, while I note the reference Mr T has made to the CONC regulations, Consumer Credit Act and FCA Principle 6, as noted above, there isn't a set list of checks that need to be undertaken but a firm must undertake a reasonable assessment of the credit worthiness of a customer and consider the customer's ability to make the repayments under the agreement. RateSetter undertook a credit check which didn't raise issues and gathered information about Mr T's income, rent and credit commitments. Therefore, I think, in this case, given the finance being provided, the checks were reasonable and further verification such as bank statements, weren't required.

So, for the reasons set out above I think that reasonable and proportionate checks were undertaken before the loan was provided and based on these the loan appeared affordable.

Mr T has raised the issue of his gambling and made reference to the regulations regarding

vulnerable consumers. I have seen the scale of his gambling from the bank statements he has provided. I understand the comment Mr T has made about a customer with an addiction being unlikely to disclose this to a finance provider, but I also have to consider whether it is reasonable that RateSetter should have been aware of Mr T's gambling. In this case, while I accept that Mr T's bank statements clearly show his gambling as I do not think RateSetter was required to request copies of these and I have nothing else to suggest that it was made aware of this issue through another route, I do not find I can say that it should have been aware of this.

So, for the reasons set out above, 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 Mr T has complained about, including whether its relationship with Mr T 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 RateSetter lent irresponsibly to Mr T or otherwise treated him 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 Mr T to accept or reject my decision before 12 November 2025.

Jane Archer
Ombudsman