DRN-5679727

The complaint

Mr D complains that Metro Bank Plc trading as RateSetter (Metro) didn't sufficiently check he could afford to sustain repayments for three loans they'd agreed to lend to him.

What happened

In May 2022 Mr D entered into a Fixed Sum loan agreement with Metro for £6,500 with an annual percentage rate (APR) of 18.4%. After interest and charges were applied Mr D was required to repay £9,701 over 60 months at £161.69 a month. Mr D said the purpose of the loan was for debt consolidation.

In November 2022 Mr D re-serviced his loan by entering into a Fixed Sum loan agreement with Metro for £12,737.81, of which £6,737.81 was to settle his May 2022 loan he'd with them. This loan had an APR of 11.94%. After interest and charges were applied Mr D was required to repay in total £16,732.20 over 60 months at £278.87 a month. Mr D said the purpose of the loan was for debt consolidation.

In September 2023 Mr D re-serviced his loan by entering into a Fixed Sum loan agreement for £15,302.32 of which £11,302.32 was to settle his November 2022 loan he'd with Metro. This loan had an APR of 10.44%. After interest and charges were applied Mr D was required to repay in total £19,484.40 over 60 months at £324.74 a month. Mr D said the purpose of the loan was for debt consolidation.

Mr D complained to Metro saying they hadn't sufficiently checked he could sustain the repayments for each of the loans. He said Metro should have seen he wasn't consolidating his debt. And by agreeing to lend him they added to his financial burden, by increasing his indebtedness and doubling the amount he'd to repay.

Metro said they'd checked Mr D's application and credit reference agency (CRA) data. They'd also used open banking to verify his income and statistical data to assess his outgoings. They said they could also see how Mr D managed his accounts with them. Based on these checks Mr D showed no signs of financial vulnerability and should have had sufficient disposable income to sustain his repayments.

Mr D wasn't happy with Metro's response and referred his complaint to us.

Our investigator said Metro shouldn't have used assumptive data to assess Mr D's outgoings. But after checking his actual income and expenditure prior to the lending found Mr D should have had sufficient disposable income to sustain his repayments.

Mr D didn't agree, he said by agreeing to lend to him Metro had caused an escalation of debt. He asked for his complaint to be referred to an ombudsman.

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 Mr D's complaint.

While I empathise with Mr D, for me to say Metro must do something different I must first be satisfied that they've done something wrong. I can't say that they have here which is why I won't be asking them to do anything else. I'll explain why.

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before Metro offered each of the loans, they needed to complete reasonable and proportionate checks to be satisfied Mr D would be able to repay the debt in a sustainable way. In deciding what was proportionate Metro needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments, the cost of credit and the consumer's circumstances.

There isn't a set list of the checks a lender must do. But CONC says a lender should take reasonable steps to estimate a consumer's income and non-discretionary expenditure. It also says a lender shouldn't solely rely on the income a consumer says they have but seek verification through an independent or third-party source. I've considered the checks Metro said they did.

Metro has shown that for each of the loans they used Mr D's application data and cross checked this with a CRA. For Loan One they've shown they also verified Mr D's income using open banking. And had asked for bank statements. They used the same open banking to assess Mr D's regular expenditure, using percentage assumptions to assess his credit worthiness. As found by our investigator I would question the use of assumptions when the actual expenditure data is readily available, as was the case with Loan One. From Metro's notes I can see for Loan Two and Three open banking was requested. But I haven't seen any open banking evidence provided to us for Loan Two or Three. Given Mr D was being expected to repay a larger amount each time, and the loans were being re-serviced within a relatively short timeframe, I think Metro's checks needed to be more detailed and contain a greater degree of verification to be fair, reasonable and proportionate.

This doesn't automatically mean they shouldn't have lent to Mr D. I need to consider what they would have seen if they'd checked further. And based on this was their lending decision fair. Generally, I wouldn't say a lender had to obtain bank statements but for our purposes they're a good indicator of a consumer's income and essential expenditure prior to each lending event.

Having considered Mr D's bank statements for the three months prior to each lending event, I'm satisfied he'd a regular monthly income. He was meeting his credit commitments and managing his other non-discretionary spending without any signs of financial distress such as unpaid direct debits or persistent use of an overdraft. And Mr D had sufficient disposable income each month to sustain the repayment required for each loan.

I've also considered Mr D's credit history and found no signs of financial vulnerability such as missed payments, defaults or county court judgments.

I take on board Mr D's comments that Metro had added to his financial burden. But I can see that for each of the successive loans Metro offered Mr D a lower APR. This meant that for Loan One he'd an APR of 18.4%, with interest charged of £3,201. For Loan Two, after settling Loan One, Mr D would have had a capital amount available to him of £6,000, the interest applied had an APR lower than Loan One,11.4% which meant the interest charged would be £3,994.39. And for Loan Three, after settling Loan Two Mr D would have had a capital amount available to him of £4,000, the interest applied had a lower APR than Loan

Two, 10.44% which meant the interest charged would be £4,182.08. This means that Mr D in borrowing £15,302.32 had interest applied to the borrowing across the three loans by around a further £980. So, I don't think Metro added significantly to Mr D's financial burden as they'd offered the additional lending at a lower interest rate.

Mr D has also said he hadn't used the loans to consolidate his debt, and Metro should have seen this. But I can see that Mr D settled his mail order account and had reduced his credit card limit to £2,500, having an outstanding credit card balance that had reduced from £4,989 to £2,496. And that one of his unsecured loans had also been settled. So, I don't think it was unreasonable of Metro to think Mr D would use the loan to reduce his monthly commitments further.

Mr D said that Metro had declined a loan application before they agreed to Loan Three, but having considered Metro's notes this was an administrative decline due to an address mis-match, rather than affordability, which upon being rectified saw Loan Three approved.

So having considered all the evidence I'm satisfied that each of the loans was affordable for Mr D as he'd sufficient disposable income to sustain his repayments. And I don't think Metro acted irresponsibly in lending to him as each loan was offered at a lower APR.

I appreciate Mr D will be disappointed by my decision, but I hope he has reassurance that I've considered his complaint points in my reasoning.

I've also considered whether Metro acted unfairly or unreasonably in some other way given what Mr D has complained about, including whether their relationship with him might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But for the reasons I've already given, I don't think Metro lent irresponsibly to Mr D or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 26 August 2025.

Anne Scarr
Ombudsman