

Complaint

Mr B has complained about a loan Metro Bank PLC (trading as “Ratesetter”) provided to him. He says he believes proper affordability checks weren’t carried out when he applied for his loan and this resulted in him being irresponsibly lent to.

Background

In September 2022, Ratesetter provided Mr B with a loan for £15,000.00. The total amount to be repaid of £16,913.40, which included interest, fees and charges of £1,913.40, was due to be repaid in 60 monthly instalments of £281.89.

One of our investigators reviewed what Mr B and Ratesetter had told us. And she thought that Ratesetter hadn’t done anything wrong or treated Mr B unfairly. So she didn’t recommend that Mr B’s complaint be upheld. Mr B disagreed and asked for an ombudsman to look at his complaint.

My findings

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 B’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr B’s complaint. I’ll explain why in a bit more detail.

Ratesetter needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Ratesetter needed to carry out proportionate checks to be able to understand whether Mr B could afford to repay before providing this loan.

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 a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more 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 lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Ratesetter provided Mr B with a loan for £15,000.00 in September 2022. This loan was due to be repaid in 60 instalments of 281.89. Ratesetter says it agreed to Mr B’s application after he provided details of his monthly income, it carried out a credit check and it combined this with some statistical data on his expenditure.

It says it cross-checked this against information on a credit search it carried out and information on how much Mr B received into his main bank account each month. And all of this information showed Mr B could comfortably make the repayments he was committing to. On the other hand, Mr B has said the loan was unaffordable.

I've carefully thought about what Mr B and Ratesetter have said.

The first thing for me to say is that the information provided does suggest Mr B was asked to provide some details regarding his income and Ratesetter didn't just rely on what it was told as it carried out a credit search too. And although Mr B did have some existing debts, I don't think that this was excessive in comparison to his declared income. Furthermore, the credit checks didn't show that Mr B had any significant adverse information such as defaulted accounts or county court judgments ("CCJ") recorded against him either.

I know that Mr B says that Ratesetter was incorrect about his income. However, the information from the time shows that Mr B declared that he was employed and earning £50,000.00 a year. I can see that Mr B's declaration was cross checked against information going into his main bank account each month. While Mr B now says that he was only earning £40,000.00 a year, it's unclear to me why he declared he received more than this.

Furthermore, Ratesetter obtained information from credit reference agencies on whether the amount of funds Mr B received into his bank account was consistent with his declaration. It did not check on the source of these funds and it wasn't required to go as far as doing this either. As these checks suggested that the declaration was plausible, I don't think that it was unreasonable for Ratesetter to rely on it declaration in these circumstances.

I would also add that while Mr B has said that Ratesetter ought to have done more, he hasn't provided me with anything to show that Ratesetter doing so would have made a difference here. I say this because at the absolute most it could be argued that the amount lent ought to have prompted Ratesetter into finding out more about Mr B's actual living expenses, rather than relying on statistical data. However, I've not seen anything at all to show that Mr B's actual living expenses were significantly more than what Ratesetter believed, or more importantly that they rendered the monthly payments for this loan unaffordable.

It's also worth noting that the information from the time shows that Mr B said he was going to use the funds from this loan to consolidate credit card debt. I don't know whether Mr B did use the funds for the purpose he stated. However, Ratesetter would only have been able to make a reasonable decision based on the information it had available at the time.

It won't have known whether Mr B would clear his existing debts – all it could do was take reasonable steps and rely on assurances from Mr B that the balances would be repaid with these funds. So I'm satisfied that the proceeds of this loan could and should have been used to clear some of Mr B's debts too.

Finally, as this was a first loan Ratesetter was providing to Mr B, there wasn't a history of Mr B obtaining funds and then failing to consolidate debts elsewhere in the way he committed to either. So Ratesetter was reasonably entitled to believe that Mr B would be left in a better position after being provided with this loan. This is particularly bearing in mind that this loan had an APR of 4.9% which is likely to have been much lower than the interest rate on Mr B's credit cards.

For the sake of completeness, I would also add that while this isn't in itself determinative, it's also worth noting that Mr B not only made all of his payments on time for the period the loan was active, he also settled the loan early and well ahead of schedule. In my view, Mr B's

actions and repayment record do not support his argument that he wasn't in a position to be able to make the repayments to this loan at the time he entered into it.

In reaching my conclusions, I've also considered whether the lending relationship between Ratesetter and Mr B might have been unfair to Mr B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Ratesetter irresponsibly lent to Mr B or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

Overall and having considered everything, I don't think that Ratesetter did anything wrong when deciding to lend to Mr B. So I'm not upholding the complaint. I appreciate this will be very disappointing for Mr B. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 November 2025.

Jeshen Narayanan
Ombudsman