

The complaint

Mrs W complains that Bank of Scotland Plc (BoS) acted irresponsibly in lending to her as she said the lending was unaffordable.

In bringing her complaint Mrs W is represented by a third party. For ease of reading I will only refer to Mrs W in my complaint.

What happened

In October 2019 Mrs W entered into a Fixed Sum loan agreement with BoS for £8,436.32. This was to be repaid over 51 months at £220.29 a month. Mrs W said she struggled to meet the repayments and had BoS properly checked her financial situation at the time of the lending they would have seen she couldn't sustain the repayments. Mrs W complained to BoS.

BoS said their checks had been reasonable and proportionate in line with the relevant guidance. They'd verified Mrs W's income and checked her credit commitments and other living costs. Based on these checks Mrs W should have had sufficient disposable income to sustain the repayments.

Mrs W wasn't happy with BoS' response and referred her complaint to us.

Our investigator agreed BoS had checked sufficiently and based on these checks their lending decision was fair.

Mrs W didn't agree and asked for an ombudsman 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.

I appreciate my decision will disappoint Mrs W but having done so I'm not upholding this complaint. I'll explain why.

Firstly Mrs W has brought other complaints to this service which have been considered, so my decision will only cover the Fixed Sum loan agreement she entered into with BoS in October 2019.

When someone complains about irresponsible and/or unaffordable lending, I need to consider whether the lender completed reasonable and proportionate checks to satisfy them the lending was affordable, and that the repayments were sustainable. Where reasonable and proportionate checks were carried out, I need to consider if the lending decision was fair.

And if reasonable and proportionate checks weren't carried out, I need to consider if the loan would have been approved if the checks had taken place. In reaching my decision I've considered the relevant rules, guidance and good industry practice.

There's no set list for what constitutes reasonable and proportionate checks. But the Consumer Credit Sourcebook (CONC) provides guidance as to the extent and scope of a creditworthiness assessment and the steps needed to satisfy the requirement that the assessment is a reasonable one, based on sufficient information and proportionate to, the individual circumstances of each case.

The risk of credit not being sustainable directly relates to the amount of credit granted and the total charge for credit relative to the customer's financial situation. This means BoS in lending to Mrs W are required to carry out a reasonable assessment of whether she could afford to repay the loan in a sustainable manner.

Checks should be proportionate having consideration for the specific circumstances of the loan application. What constitutes a proportionate affordability check will generally depend on several factors such as the circumstances of the borrower, their financial history, current situation and whether there are any indications of vulnerability or financial difficulty.

BoS said Mrs W applied for the loan to consolidate her debt including the overdraft she'd with them. I've considered the checks BoS did.

Mrs W on her application declared she was retired with an income of £1,413. BoS said they checked Mrs W's credit commitments through a credit reference agency (CRA) check and through internal data, Mrs W had an account with them into which her monthly income was paid. This showed Mrs W's income to be as declared around £1413 a month. They assessed her credit commitments to be £343. And they said they used statistical modelling to assess her living costs, £315. Mrs W was repaying £173 on her existing loan with BoS and as this was to be consolidated this amount was added back into their assessment. Based on these checks BoS determined Mrs W had sufficient disposable income to sustain her repayments, around £900 a month.

CONC says a lender should take reasonable steps to assesses a borrower's income and expenditure which I think BoS did. I don't think that there was anything immediately obvious in the information that BoS had, including Mrs W's existing credit, which meant they shouldn't rely on it. While I can see Mrs W consistently used her overdraft facility of £300, which can be a sign of financial vulnerability, in seeking the consolidation loan Mrs W had also included the settlement of her overdraft balance. BoS considered the information and still decided to lend which, in the circumstances, I think was reasonable. As from their checks Mrs W should have had sufficient disposable income to sustain her repayments. So, I'm satisfied BoS' checks were reasonable and proportionate and that they made a fair lending decision.

I've also considered whether BoS acted unfairly or unreasonably in some other way given what Mrs W has complained about, including whether their relationship with her might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. But, for the reasons already given, I don't think BoS lent irresponsibly to Mrs W or otherwise treated her 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 Mrs W to accept or reject my decision before 11 August 2025.

Anne Scarr
Ombudsman