

The complaint

Miss F complains National Westminster Bank Plc (NatWest) acted irresponsibly when making their decision to lend to her.

What happened

In June 2024, Miss F took out a personal loan with NatWest for £14,100. The agreement required her to make 60 monthly repayments of £334.48. Of the funds borrowed, £9,539.15 was used to repay an existing loan already held with NatWest, with the remaining £4,560.85 paid into Miss F's account.

Shortly after being accepted for the loan, Miss F contacted NatWest asking to cancel it, however because some of the funds had been used to repay her previous loan, this couldn't be done. To help resolve matters, NatWest credited the additional £4,560.85 Miss F had borrowed back to her new loan, reducing both the monthly repayments due to £228.85 and the overall amount she owed.

In September 2024, Miss F complained to NatWest, saying that she hadn't initiated the loan application, but instead had clicked on an offer via her mobile banking app. Miss F said she feels NatWest didn't act responsibly because she wasn't asked about her outgoings prior to being accepted and her credit score wasn't great at the time. Miss F said her income, while on paper appeared stable, her outgoings meant she was using her overdraft limit each month.

Miss F also said her mental health issues mean she is very impulsive and being offered the loan when she was already struggling seemed like a lifeline but in hindsight it only caused her more stress.

The same month, NatWest sent Miss F their final response, but they didn't uphold her complaint. In summary, they said Miss F had completed the application online with no staff intervention and at the time, they weren't aware of her personal circumstances surrounding her mental health.

NatWest said based on the checks they'd completed, they disagreed the loan had been provided irresponsibly, adding if there were any concerns around Miss F's affordability to make the repayments, her application wouldn't have been accepted.

Miss F disagreed with NatWest's response, so she referred her complaint to our service.

One of our Investigator's looked into things and said because NatWest hadn't been able to provide him with evidence of the checks they'd completed, he couldn't fairly say the level of checks had been proportionate.

But our Investigator said if NatWest had completed proportionate checks, based on what he'd seen, he thought they'd have seen the loan was affordable, so he didn't think they'd acted unfairly by approving the finance for her.

Miss F disagreed with our Investigator saying her bank account statements showed the majority of her income came from Universal Credit which without, she wouldn't be able to afford a loan. She added despite NatWest now knowing about her mental health and impulsive tendencies, she's consistently being offered another loan.

Our Investigator's opinion remained unchanged. He said he hadn't seen anything to suggest NatWest were aware, or ought to have been aware of Miss F's mental health challenges until after the agreement in question was taken out. He added, since the additional borrowing had been credited to the loan balance, her payments reduced in comparison to what they were prior.

Miss F remained unhappy saying it's up to NatWest to make sure they are lending to people responsibly and that their application process should be more in-depth. Because a resolution couldn't be reached, this case has been passed to me 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.

Having done so, although I appreciate it'll be a disappointment to Miss F, I'm not upholding her complaint and for much the same reasons as our Investigator. I'll explain why.

But first, I'm aware I've summarised this complaint in less detail in parts than has been provided, and I've done so using my own words. No discourtesy is intended by this. Instead, I've concentrated on what I think are the key issues here. Our rules allow me to do this.

This reflects the nature of our service as an informal alternative to the courts. If there's something I've not mentioned, especially in relation to Miss F's personal circumstances, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to repeat or comment on every detail here, to be able to reach what I think is the right outcome that's reasonable in the circumstances of this complaint.

How we handle complaints about irresponsible and unaffordable lending is explained on our website. It's this approach I've used when deciding Miss F's complaint. NatWest needed to ensure that they didn't lend irresponsibly, which in practice means they needed to carry out proportionate checks to be able to understand whether any lending was affordable for her before agreeing to provide the loan.

The rules that apply to credit agreements are set out in the FCA's consumer credit sourcebook (CONC). Section 5.2A of CONC is relevant here, as – among other things – it talks about the need for businesses like NatWest to complete reasonable and proportionate creditworthiness assessments before agreeing to lend someone money.

I've considered these rules by asking the following questions:

- 1) Did NatWest complete reasonable and proportionate checks to satisfy themselves Miss F would be able to meet the repayments of the borrowing without experiencing significant adverse consequences?
 - If they did, was their decision to lend to Miss F fair?
 - If they didn't, would reasonable and proportionate checks have shown that Miss F could sustainably repay the borrowing?

2) Did NatWest act unfairly or unreasonably in some other way?

Did NatWest complete reasonable and proportionate affordability checks?

What's considered reasonable and proportionate in terms of the checks a business undertakes will vary dependant on the details of the borrowing and the consumer's specific circumstances at the time.

Here, the total amount repayable under the agreement was around £20,070, with Miss F committing to make a monthly repayment of around £334 over a term of 60 months. But I've also kept in mind, the funds from this loan were in part being used to repay a previous loan Miss F held with NatWest, to which she was already making repayments of £257.37 towards.

So, while ultimately NatWest needed to establish if Miss F could sustainably afford an additional amount of around £77, it was still a lengthy credit commitment for someone to enter. Because of this, my starting point is that I'd still expect to see NatWest to have completed a thorough affordability check.

The application data provided by NatWest shows Miss F declared a net monthly income of £2,527 at the time. NatWest say this figure was validated against the turnover on Miss F's account which she held with them. NatWest also say they completed a full credit score prior to agreeing the loan. Unfortunately, I've not seen evidence of either of these checks.

In addition, NatWest say they used declared expenditure towards things such as her mortgage/rent, living costs and repayments to her existing debt in order to calculate Miss F's affordability.

But looking at the application data provided, I've only been able to see Miss F declared her commitments towards mortgage/rent and her external existing credit. Natwest haven't provided evidence of the other expenditure they say Miss F declared.

I've also considered that Miss F held her current account with NatWest, so even with evidence, I'm not satisfied them relying on declared expenditure was reasonable here, especially when they had access to her outgoings already to hand.

It follows, for the reasons I've explained, I can't say NatWest's checks were proportionate.

But as I've explained above, that doesn't necessarily mean I can uphold Miss F's complaint – I now need to consider whether NatWest would've likely been able to fairly decide to lend to her if they had done proportionate checks.

If NatWest had done proportionate checks, what would they have found?

As I've not seen any evidence of NatWest's checks, I've looked at Miss F's bank account statements, for the three months prior to the loan being taken out.

I'm not saying NatWest specifically needed to obtain bank statements for any account Miss F held externally as part of their credit worthiness checks. But in the absence of other information, I think bank statements for both her accounts held with NatWest and elsewhere provide me a good indication of her expenditure at the time the lending decision was made.

I'm satisfied Miss F's bank account statements show she received an average monthly income of around £2,300. While I acknowledge Miss F has raised that her income included Universal Credit payments, I can see she received these consistently throughout the months I've considered, so I'm satisfied any income verification NatWest might've completed, would've more likely than not have confirmed she earned around the amount she'd originally declared.

I'm also satisfied Miss F's bank account statements show her average monthly expenditure towards essential spending was around £1,525. Approximately each month on average this consisted of £588 towards accommodation, £316 towards groceries, £222 towards council tax and utilities, £190 towards her existing credit commitments and debt repayment, £144 towards television, music and mobile contracts, £15 towards school fees and £50 towards car and travel related expenses. Miss F was also paying around £257 towards her existing loan with NatWest but this was to be settled as a condition of the new lending.

So, from what I've seen, I'm satisfied this would have left Miss F with around £775 per month from which to make the repayments due under the agreement of around £334. As such, I'm satisfied NatWest could have fairly decided the agreement was affordable for Miss F.

In addition, having looked at the credit file provided by Miss F, alongside seeing her repayment history towards the loan held with them, I think NatWest would've seen she was overall managing her existing external credit commitments well at the time.

So, I'm satisfied NatWest's lending decision was fair and they acted responsibly when agreeing to lend to Miss F. I'm not upholding this complaint.

Did NatWest act unfairly or unreasonably in some other way?

While I've nothing to suggest NatWest knew, or anything to persuade me they ought to have known, about Miss F's vulnerabilities prior to her telling them in June 2024, I've thought about how they acted once they did know.

Miss F let NatWest know she didn't want to keep the loan she'd taken soon after its inception. But the funds from the loan had, in part, already been used to repay and settle her previous loan. So, it's understandable NatWest couldn't simply void the agreement, the funds were no longer there in full for Miss F to give back.

However, NatWest took the additional funds Miss F had borrowed and repaid them to the agreement. This reduced the balance outstanding and the monthly repayments she had to make. While I understand this does mean Miss F's loan is due to run for longer than her previous one would have, as I've not found NatWest acted unfairly or irresponsibly by approving the new agreement, I can't say they should've done anything more here either.

NatWest provided details for external support and urged Miss F to speak to their Financial Health and Support Team. Should Miss F do so, and she is found to be in financial difficulty, I'd remind them of their responsibility to treat her with forbearance and due consideration.

NatWest also explained certain features of their mobile banking app could be switched off to prevent 'eligibility offer' notifications being received, should Miss F request them to do so.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Miss F has complained about, including whether its relationship with Miss F might have been unfair under s.140A Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think NatWest lent irresponsibly to Miss F or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons I've explained above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 24 October 2025.

Sean Pyke-Milne
Ombudsman