

Complaint

Miss B has complained that National Westminster Bank Public Limited Company ("NatWest") unfairly provided her with unaffordable loans.

Background

NatWest provided Miss B with four loans. As far as I can see Miss B's loan history was as follows:

Loan	Taken	Amount	To settle earlier loan	New funds	Settled	Term	Monthly Payment
1	June 2016	£5,000.00	£0	£5,000.00	July 2019	60	£98.59
2	July 2019	£9,650.00	£2,147.25	£7,502.75	June 2021	48	£215.16
3	June 2021	£13,650.00	£5,631.81	£8,018.19	May 2023	63 ¹	£252.68
4	May 2023	£13,550.00	£9,543.20	£4,006.40		72	£280.41

Miss B's complaint was reviewed by one of our investigators. He thought that NatWest hadn't done anything wrong or treated Miss B unfairly when providing any of these loans. So he didn't uphold the complaint.

Miss B disagreed with our investigator's view. So the complaint was passed to an ombudsman for review.

My provisional decision of 15 July 2025

I issued a provisional decision – on 15 July 2025 - setting out why I was intending to partially uphold Miss B's complaint.

In summary, I was intending to conclude that NatWest did not act unfairly or unreasonably to Miss B when providing her with loans 1 to 3 as I wasn't persuaded that reasonable and proportionate checks would have shown that the monthly payments to these loans were unaffordable.

However, I also thought that NatWest hadn't acted fairly and reasonably when providing loan 4 to Miss B as it ought reasonably to have realised that this loan would more likely than not have unfairly and excessively increased her overall indebtedness and it didn't provide her with clear enough information on the costs.

Miss B's response to my provisional decision

Miss B confirmed that she accepted my provisional decision and that she had nothing further to add ahead of my final decision.

NatWest's response to my provisional decision

¹ This loan had a term of 63 months. However, there was a three-month payment holiday at the beginning and this meant that Miss B was required to make 60 monthly repayments.

NatWest responded to say that it disagreed with my provisional decision. In summary, this was because:

- The checks it carried out before lending were proportionate. Furthermore, its checks for loan 4 in particular showed that Miss B had £406.73 in disposable income. There were no arrears or any other behaviour that caused concern and the monthly payment for loan 4, was only slightly more than for loan 3. It didn't consider that Miss B having taken a fourth loan over a 7-year period to be unusual such that it ought to have done anything different.
- Loan 4 was taken for refinancing and home improvements. Two of the transactions after the funds were advanced show that the loan was used for this purpose. It is comfortable with the interest rate on this loan being higher because interest rates had increased between loan 3 and loan 4. Furthermore, Miss B's risk profile had changed.
- Taking a side-by-side loan would have increased Miss B's monthly payments while both loans were running. If Miss B had borrowed £4,000.00 on the same term it would have cost her around £130 a month. This would have left her paying around £102 a month more than the £280 a month she's paid on a consolidated loan 4.
- While Miss B may have had a financial health check no advice was provided at this stage. The outcome of 'managing my existing debts' is wider than just an existing personal loan. Miss B was merely directed to where she might find some useful information in order for her to be able to make her own mind up on what to do going forward.
- Miss B had the option to go back and get a requote if she wished to compare the cost of the different options of either taking a consolidated loan 4, or a side-by-side loan 4 for the additional funds.

While I've summarised NatWest's response, for the avoidance of doubt I wish to confirm that I've read and considered everything that it has provided throughout the course of this 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 set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Miss B's complaint.

Having carefully thought about everything, I remain satisfied that there are two overarching questions that I need to answer in order to fairly and reasonably decide Miss B's complaint.

These two overarching questions are:

- Did NatWest complete reasonable and proportionate checks to satisfy itself that Miss B would be able to repay her loans in a sustainable way?
 - If so, did it make a fair decision?
 - If not, would those checks have shown that Miss B would've been able to do so?

- Bearing in mind the circumstances, at the time of each application, was there a point where NatWest ought reasonably to have realised Miss B's indebtedness was being increased in a way that was unsustainable or otherwise harmful and so it shouldn't have provided further loans?

If I determine that NatWest didn't act fairly and reasonably in its dealing with Miss B and that she has lost out as a result, I will go on to consider what is fair compensation.

Did NatWest complete reasonable and proportionate checks to satisfy itself that Miss B would be able to meet repay his loans in a sustainable way?

The rules, regulations and good industry practice in place throughout the period NatWest lent to Miss B required it to carry out a reasonable and proportionate assessment of whether she could afford to repay her loans. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focussed and NatWest had to ensure that making the payments to the loan wouldn't cause Miss B undue difficulty or adverse consequences. In other words, it wasn't enough for NatWest to simply think about the likelihood of Miss B making payments, it had to consider the impact of loan repayments on Miss B.

Checks also had to be "proportionate" to the specific circumstances of the application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and
- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've carefully thought about all of the relevant factors in this case.

Were NatWest's checks reasonable and proportionate?

NatWest has said that it completed an income and expenditure assessment with Miss B before providing all of these loans. It said that it considers it did enough to establish that all of these loans were affordable. I've considered what it did for each loan and the position at the respective times. For the sake of clarity and to make things easier to follow, I've sometimes grouped together some of the loans.

- Loan 1

Loan 1 was provided in July 2016, was for £5,000.00 and was due to be repaid in 60 monthly repayments of £98.59. I understand that NatWest carried out credit checks on Miss B before providing this loan. However, it hasn't provided any record of what these credit checks showed. In any event, I've not seen anything to indicate that Miss B had any significant adverse information – such as defaults or County Court Judgments ("CCJ") – recorded against her at this time.

Furthermore, Miss B looks to have been asked for details of her income. The information provided shows that Miss B declared her monthly income at around £1,300.00. I accept that NatWest may not have asked Miss B for further information about her household bills and expenditure.

However, given the monthly payments for loan 1 - less than £100 – and there wasn't anything to indicate that Miss B had too much else in the way of other credit to repay, I'm satisfied that a detailed breakdown of Miss B's non-credit related expenditure wasn't necessary here. In my view, the amount of Miss B's income being taken up by the monthly repayment combined with the fact that Miss B did say she had housing costs of £300 leads me to conclude that NatWest was reasonably entitled to conclude that Miss B would have enough left over to meet her other reasonable commitments.

As this is the case and the loan payment looked affordable, I don't think that it was unreasonable for NatWest to have provided loan 1 in these circumstances. So not upholding Miss B's complaint about this loan.

- Loans 2 and 3

Miss B was provided with loan 2, which was for £9,650.00, in July 2019. £2,147.25 went to settling the outstanding balance on loan 1 and Miss B received £7,502.75. This loan was due to be repaid in 48 monthly repayments of £215.16. Miss B was then provided with loan 3 in July 2021. £5,631.81 went to settling the outstanding balance on loan 2 and Miss B received £8,018.18. This loan was due to be repaid in 60 monthly repayments of £252.68.

At the time of loan 2, Miss B declared that her monthly income had increased to around £2,400.00. And by the time of loan 3, Miss B appears to have declared receiving a slightly lower amount of £2,300.00 a month. So while the monthly repayments for these loans were higher than loan 1, it's fair to say that Miss B had a higher monthly income.

Nonetheless, I do think that the increase in the monthly repayment meant that NatWest needed to find out more about Miss B's living expenses before agreeing to provide these loans to her. This is especially as Miss B's indebtedness had grown – she now had a £5,000.00 overdraft with NatWest – and she was a repeat borrower. I can't see that NatWest obtained this information before providing loans 2 and 3 so I'm not persuaded that the checks it carried out were proportionate.

I've therefore consulted Miss B's NatWest bank statements with a view to determining what proportionate checks are more likely than not to have shown. Having looked at the bank

statements Miss B has provided to us, I can't see anything obvious in them which indicated Miss B wouldn't be able to make the repayments to loan 2 and 3.

Indeed, when Miss B's actual discernible living expenses on these statements are added to her other committed expenditure and then deducted from her income, she appears to have had the disposable income to be able to make the repayments required. And Miss B's actual living expenses don't obviously seem out of kilter with any assumptions that NatWest might have made in this area.

As I've explained, Miss B repaid loan 1 with some of the proceeds of loan 2. For reasons, I will explain further on in this provisional decision, repeat borrowing can in itself be an indication of difficulty. I've therefore thought about this in relation to loans 2 and 3. However, Miss B appears to have made all of her payments to loan 1 on time. And while there was an amount that was being refinanced from loan 1 into loan 2, it was being done at a lower rate of interest and so Miss B would save on what she'd pay going forward.

Furthermore, while the interest rate may have been slightly higher on loan 3 than it was for loan 2, I'm also mindful that the monthly payment for loan 3, which for reasons I've explained above was affordable, wasn't too much more and the loan's APR will have been affected by the three-month payment holiday at the start. In these circumstances, I don't think that clear pattern of credit dependency was showing here, such that NatWest ought to have had concerns.

As this is the case, while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't immediately obvious that Miss B might have taken loans 2 and 3 because of the effect loans 1 and 2 might have left on her finances.

Therefore, I'm satisfied that Miss B didn't lose out as a result of NatWest failing to carry out proportionate checks before deciding to provide loans 2 and 3 to her. In my view, proportionate checks would more likely than not have suggested the repayments to these loans were affordable.

So I think that it is unlikely that carrying out such checks would have prevented NatWest from lending in these circumstances. Equally, I'm not persuaded that loans 2 and 3 were provided in circumstances where NatWest ought to have realised that it was increasing Miss B's indebtedness in a way that was unsustainable or otherwise harmful either.

- Loan 4

Loan 4 was provided in May 2023 was for £13,550.00 and due to be repaid in 72 monthly repayments of £280.41. What is immediately apparent is that despite Miss B being provided with £100 less than she was for loan 3 and the loan having a longer term her monthly payments were over 10% more than the monthly repayments for loan 3. For reasons I'll come onto later on in this decision, I think that this is extremely important.

However, for now the important thing to note is that NatWest's checks for this loan don't appear to be any different from the checks it carried out for the earlier ones. I accept that any credit search carried out on Miss B will once again have shown that she didn't have any significant adverse information - such as defaults or county court judgements recorded - against her. But that doesn't mean that there was anything else that at first glance appeared concerning and therefore merited further investigation.

To start with, by this stage Miss B had been borrowing from NatWest for an unbroken period of just under seven years. She was being provided with a fourth loan despite not having repaid any of the previous ones without borrowing further. Miss B had a consistent history of returning for further funds after having previously been provided with a consolidation loan and now owed considerably more than she did when she first started borrowing from NatWest.

NatWest says that there was nothing unusual in this behaviour and that Miss B hadn't shown any behaviour that would cause undue concern. However, this doesn't tally with what it has said in its response to my provisional decision. I say this because NatWest has said that Miss B's risk score had changed and this was one of the reasons why the interest rate on loan 4 was higher than her previous ones.

I take this to mean that the credit risk of lending to Miss B had increased. In these circumstances, I don't think that it is unreasonable to expect a lender to take additional steps to better understand what a customer's circumstances where it considers that the risk of lending to a customer has increased.

As this is the case, I think that NatWest needed to find out more about Miss B's actual circumstances before agreeing to provide her with loan 4. It needed to get an understanding of why Miss B was proving unable to fully repay her previous loans without borrowing further and the amount she was consolidating was increasing each time.

For the avoidance of doubt, I wish to be clear that at this stage in saying that the pattern of lending here in itself meant that Miss B shouldn't have been lent to. It is possible that a lender will carry out a proportionate assessment of a customer which robustly takes account of them being a repeat borrower. However, in order for this to happen, I would need to be persuaded that the lender did enough to understand the customer's actual circumstances and their ability to afford the loan repayments.

As I can't see that NatWest did do this here, or that it asked Miss B to provide anything more than she had done for loans 1 to 3 despite her now applying for funds for a fourth time, I'm satisfied that it didn't complete fair, reasonable and proportionate affordability checks before providing loan 4 to Miss B.

Bearing in mind the circumstances, at the time of each application, was there a point where NatWest ought reasonably to have realised Miss B's indebtedness was being increased in a way that was unsustainable or otherwise harmful and so shouldn't have provided further loans?

As previously explained, where a firm failed to carry out reasonable and proportionate checks before providing a loan or loans, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, I haven't gone on to recreate individual, proportionate checks for loan 4 because I don't think that it is necessary to do so here. I think this is the case because in addition to assessing the circumstances behind each *individual* loan application Miss B made to NatWest, I also think it is fair and reasonable to look at the *overall pattern* of lending and what unfolded during the course of Miss B's history with NatWest.

I'm mindful here that the relevant rules and guidance make it clear that a firm shouldn't continue providing further lending where the loans are unsustainable or otherwise harmful and/or it is apparent that the customer may be experiencing financial difficulties.

And I think that by loan 4, NatWest ought fairly and reasonably to have realised that Miss B's financial position was such that a further loan, particularly on these terms, was simply unsustainable for her. I'll now explain why I consider this to be the case.

Miss B borrowing to repay

To start with, I accept that NatWest may argue that Miss B didn't miss any payments and loans 1 to 3 were repaid earlier than planned. Indeed, NatWest's response to my provisional decision referred to Miss B having no arrears and that she hadn't shown any previous behaviour that would cause undue concern.

However, I don't agree that Miss B had a good repayment record or that she hadn't displayed any behaviour that caused concern. I say this because Miss B had clearly been borrowing to repay previous loans. Loans 1, 2 and 3 were all repaid with some of the funds from loans 2, 3 and 4.

Miss B repaying earlier loans with further loans is in itself evidence unsustainably repaying – according to the regulator's rules and guidance. I can't see that NatWest took into account that Miss B was displaying an established pattern of borrowing to repay and more importantly what steps it took to ensure that this wouldn't continue happening going forward.

The true costs of loan 4

I'm also concerned about the effect that consolidating earlier loans into later loans respectively had on the overall costs Miss B had to repay. Miss B's loans will have followed a typical amortisation schedule. In the early stages of the loan a significant proportion of Miss B's monthly payments were going towards repaying the accrued interest. And loans 1 to 3 were settled once the capital had begun reducing more quickly and after a significant proportion of Miss B's monthly payments would have repaid interest rather than reduce her balance.

My concerns regarding the effect of the amortisation schedules are amplified when taking into account the particular circumstances of loan 3 being consolidated into loan 4. Loan 3 had an APR of 3.9% and a remaining term of around 42 months. By the time she applied for loan 4, Miss B had made 20 payments of £252.68 which means that she had already paid £5,053.60. £9,542.20 of loan 4 went towards settling loan 3 and this means that Miss B paid £14,595.80 of the total £15,166.80 that was originally due on loan 3 and what would have been paid had this loan run to the end of its term. This means that Miss B saved £571 as a result of repaying loan 3 around 42 months early.

Loan 4 had an APR of 14.9%. So the APR on this loan was 11% higher than the APR on loan 3. By my calculations 70% of the funds borrowed for loan 4 went towards settling loan 3. So applying a corresponding split to the total interest of £6,554.56 due on the loan would mean £4,558.19 of the interest was being paid on the funds being used to repay loan 3. This means that Miss B was paying close to £4,000.00 more in interest than she would have done had loan 3 simply ran to term.

NatWest accepts that loan 4 was more expensive than loan 3. However, it says that Miss B applied for loan 4 online and it has provided a copy of a screenshot from its computer records which in the column for Channel has the word INT. I take this to mean that Miss B applied for this loan over the internet.

NatWest has also provided screenshots from its online loan application journey which it says shows that Miss B was given the option of either keeping loan 3 and having the extra funds

she required as a separate loan 4 running alongside loan 3; or consolidating the existing balance on loan 3 into loan 4. It says Miss B chose the latter option.

On the other hand, Miss B has disputed applying for loan 4 online and has said that she was persuaded to take loan 4 after she had a financial health check with one of NatWest's senior personal bankers. Miss B has provided a copy of an email showing that she had an appointment with the senior personal banker on the day of the application for loan 4. She's also provided a copy of an email which was sent by the senior personal banker, around two hours after the review took place, which listed Miss B's priorities in order of importance.

Having reviewed this email, I can see that Miss B's priorities are listed as:

1. *Managing my existing debts*
2. *Help with budgeting*
3. *Protecting my home and contents*

The next part of the email has a section entitled '*So what next?*'. It states:

"Based on what you told me today, I've listed a few options for you below. Each is a practical step that could get you where you want to be. Take time to read them and most importantly, make sure you feel comfortable with what's involved before you go ahead."

The first step listed states '*Borrowing money with our short term borrowing options*'. There is a link which uses the wording find out more. This link directs to what NatWest has described as an overview of its short-term borrowing options. NatWest says that this email was provided for information purposes and in its view reinforces the notion that Miss B applied for loan 4 herself online.

Having considered matters, I suspect that Miss B may well have applied for this loan online after she had her meeting with NatWest's senior personal banker. While I accept that the outcome of 'managing my existing debts' is wider than just an existing personal loan, I have to consider all of the evidence here and what this suggests.

I accept that Miss B may have been directed to where she might find some useful information in order for her to be able to make her own mind up on what to do going forward. But given she ended up taking a further loan, where the vast majority of the funds went towards consolidating her existing personal loan, some two hours after the meeting, I find it difficult to accept that Miss B's existing personal loan wasn't the main focus of managing her existing debts.

Equally, while I don't completely discount the possibility that Miss B's priorities may have shifted in the two hours between the financial health check and the loan application, I think this is unlikely. And I remain of the view that it is important there is nothing in the record from this financial health check which suggests that Miss B was looking to borrow additional funds. Miss B's priorities – in relation to her credit commitments – some two hours prior to the loan application, appears to have been to manage what she already had and getting some help with budgeting.

In its response to my provisional decision, NatWest reiterated that Miss B wasn't provided with advice. However, I already accepted that as this was an online application it is unlikely NatWest advised Miss B to take out this loan, in my provisional decision. And my conclusion that NatWest failed to act fairly and reasonably towards Miss B wasn't and still isn't based on a finding that it advised her to take this loan.

I say this this because irrespective of the fact that NatWest did not advise Miss B to take this loan, it was still required to ensure that she was provided with information that was clear, fair and not misleading such that she could make an informed choice on whether to proceed.

I'm also mindful that CONC 4.2.5 R states:

(1) Before making a *regulated credit agreement* the *firm* must:

(a) provide the *customer* with an adequate explanation of the matters referred to in
(2) in order to place the *customer* in a position to assess whether the agreement is adapted to the *customer's* needs and financial situation;

(b) advise the *customer*:

(i) to consider the information which is required to be disclosed under section 55 of the CCA; and

(ii) where the information is disclosed in person, that the *customer* is able to take it away;

(c) provide the *customer* with an opportunity to ask questions about the agreement; and

(d) advise the *customer* how to ask the *firm* for further information and explanation.

[Note: section 55A(1) of CCA]

(2) The matters referred to in (1)(a) are:

(a) the features of the agreement which may make the *credit* to be provided under the agreement unsuitable for particular types of use;

(b) how much the *customer* will have to pay periodically and, where the amount can be determined, in total under the agreement;

(c) the features of the agreement which may operate in a manner which would have a significant adverse effect on the *customer* in a way which the *customer* is unlikely to foresee [my emphasis];

...

NatWest argues that it met these requirements as its online application process offered Miss B the option of either applying for a separate loan (what it has subsequently described as a side-by-side loan) in order to borrow the extra funds she required, or combining any new funds with what she owed on loan 3. In its view, Miss B being given this choice meant that she was provided with clear, fair and not misleading information on her options and she freely made the decision to consolidate instead of having a new side-by-side loan only covering the extra funds she obtained.

I've looked at the screenshots provided. The first thing for me to say is that screenshots aren't dated. Nonetheless, I'm prepared to accept that they do provide some indication of what Miss B is likely to have seen. I also accept that Miss B is likely to have been given the option of either applying for a separate loan merely borrowing the additional funds she required, or combining her existing loan with the additional funds she wished to borrow. I've also considered that Miss B may have had the option to return to previous screens as part of the application process in order to try out different options, in the way that NatWest has said she could in its response to my previous decision.

However, I don't think that simply making Miss B aware that she had a choice, necessarily means that she was provided with sufficiently clear information in order to be able to make an informed decision. I say this particularly as while NatWest's submissions together with the screenshots it has provided indicate that the interest rate of Miss B's existing loan is likely to have been displayed as well as the settlement figure, I can't see that what Miss B would actually pay as a result of settling her loan this way is likely to have been displayed.

In other words, I accept that the screenshot indicates that Miss B would have been made aware £9,543.20 of the £13,550.00 of loan 4 was going towards settling loan 3. NatWest also argues that the 3.9% APR for loan 3 would have been displayed with the settlement figure for that loan and that the APR of 14.9%, for the new loan, was displayed in the pre contractual information and Miss B's loan agreement. I accept that Miss B knowing that the interest rate for loan 4 was higher than the interest rate for loan 3 means that she must be taken to have known that she would pay more in interest refinancing this way.

However, the content of the screenshot doesn't suggest to me that Miss B could be expected to know that she would pay as much as £4,558.19 in extra interest as a result of consolidating her borrowing in this way, while only saving £571. I don't think that Miss B merely being provided with information on the respective APRs means that she could reasonably be expected to have foreseen that she would have to pay close to £4,000.00 more in order to refinance in this way.

Indeed, these numbers show that Miss B would effectively be paying £5,983.56 for a further £4,006.40 in funds. Bearing in mind NatWest's records show that Miss B's priority was to manage her existing debts, rather than take out further funds, I think that Miss B will have had pause for thought and questioned whether to proceed on these terms had the true costs been presented to her.

Given the content of NatWest's response to my provisional decision, I wish to make it clear that it is not my finding here that NatWest had to offer Miss B loan 4 on the same terms as loan 3. There is no dispute that wholesale interest rates did increase in the period between Miss B taking out loan 3 in June 2021 and when she applied for loan 4 in May 2023. So it's clear that the circumstances at this time were different.

Neither am I making the finding that NatWest has to break down the costs every time it offers a refinancing loan in the way that I have in this decision. After all, in most circumstances, the interest rate between loans won't vary as much as it did here or have such an effect. And in the vast majority of cases the difference in costs is unlikely to be that much and more granular information is unlikely to add much value in the context of the customer's decision-making process.

However, in this case, I have to consider Miss B's application for loan 4 in the context that there is no dispute that it is NatWest's senior personal banker who directed Miss B to the borrowing options online, as a suggestion to help manage her existing debts and help her with budgeting.

It is not clear to me how refinancing would have helped Miss B in this instance given the senior personal banker would have been aware of the terms of Miss B's existing loan and it would be somewhat strange if they did not know that borrowing rates had significantly increased in the period between May 2021 and June 2023. While NatWest's response to my provisional decision has reiterated its view that the senior personal banker didn't provide advice which I'd, in any event accepted was the case, it hasn't really addressed how or why the information Miss B was referred to addressed the need that had been identified.

In any event, given the significant difference in the amount that would be paid in these two methods, I think that it was incumbent upon NatWest to highlight this difference to Miss B as part of the pre-contractual information, in order for her to have been able to make an informed choice. The circumstances here meant the refinancing option added significant additional costs that Miss B cannot reasonably be expected to have worked out for herself. And without wishing to labour the point, this was also in circumstances where she was looking to better manage her debts.

It seems inconceivable to me that Miss B would have gone ahead with taking out loan 4, on these terms and in these circumstances, had it been made clear to her that she would pay close to £4,000.00 more in additional interest. In my provisional decision, I explained that it was likely that NatWest wouldn't have advanced Miss B £4,000.00 at the same interest rate that it advanced Miss B £13,550.00 in May 2023.

In its response to my provisional decision, NatWest has said it is likely that a side-by-side loan would have been provided at an APR of 19.9%, rather than the 14.9% APR that the consolidated loan was provided at. I note that it has referred to this rate being applicable on a loan with a term of 42 months (which was the term Miss B had left on loan 3), rather than a loan with a 72-month term. And it is possible that a loan term of 72 months would have resulted in a lower rate of interest.

But even on NatWest's own numbers, I estimate that Miss B would have paid less than £1,500.00 in interest on a standalone loan, even if she would have had monthly payments of around £130. This means that while Miss B will have paid £130 a month more for the first 42 months of the loan term, she wouldn't have had to pay anything at all for the remaining 30 months. Furthermore, this doesn't even take into account that Miss B may have decided to take the side-by-side loan over 72 months and so her monthly outlay on the additional loan would have been lower.

NatWest hasn't made the argument that the loan terms needed to match. So I'm not persuaded that Miss B couldn't have had side-by-side loans with different terms and that Miss B wouldn't have sought to reduce the payments to the additional loan, without risking the far better terms she had on existing borrowing. I'm simply not persuaded that it is automatically the case that Miss B would have opted for the cheapest monthly repayment, irrespective of the total amount that she would have to pay. Indeed, there is the possibility that Miss B may even have decided against borrowing an additional £4,000.00 if it had been clear that she would pay close to £6,000.00 for this.

So I think that NatWest merely setting out the APR of the respective loans, without providing a cost comparison of the two methods, saw it fail to explain a feature of loan 4 which had an impact far more significant than Miss B could reasonably be expected to foresee. I don't think that Miss B being able to go back and obtain a requote in circumstances where she wouldn't have necessarily known this, changes matters.

In my view, the circumstances here, namely the vastly increased costs of consolidating, the fact that NatWest was the expert and it is clear that costs were an important consideration for Miss B, all point to it being fair and reasonable to expect NatWest to have proactively provided this comparison, given Miss B's particular case.

As NatWest did not provide this comparison and simply relied on its usual process, notwithstanding the uniqueness of the situation, I'm satisfied that NatWest provided loan 4 in circumstances where it failed to clearly set out the additional costs. NatWest providing this loan in this way and in these circumstances, exponentially increased Miss B's overall indebtedness in a way that was harmful.

Miss B's overall period of indebtedness

Finally, I've also considered that Miss B started out owing NatWest £5,000.00 which she was required to repay over five years. By loan 4, Miss B now needed to repay NatWest £13,550.00 over six years. As I've explained above this was at a much higher rate of interest than she started borrowing from NatWest.

I'm also mindful that this was despite that fact that Miss B had already been borrowing from NatWest for close to seven years. The effect of this was to provide unsecured lending over a term typically seen on long term borrowing – such as a mortgage. Indeed, I note that the website link NatWest's senior personal banker provided to Miss B was to a website page setting out NatWest's short term borrowing options. While there may be a debate over whether it is a long-term or a medium-term, I don't think that a 13-year period, which is the period covered by Miss B's four loans, could ever be described as short-term.

I think that it unlikely that NatWest would have provided an unsecured loan for the totals advanced over a 13-year term. It's my understanding that the maximum term NatWest offers on a single unsecured loan is eight years. So I don't see how it was fair and reasonable for NatWest to effectively offer a term well over this period, over a series of four loans in around seven years, in circumstances where the respective amortisation schedules and subsequent refinancing meant that this would prove far more expensive.

For all of these reasons whether taken individually or taken together, I remain satisfied that that NatWest ought fairly and reasonably to have realised that loan 4 was unsustainable or otherwise harmful for Miss B and unfairly and excessively increased her overall indebtedness.

As this is the case, I find that NatWest failed to act fairly and reasonably towards Miss B when providing loan 4 to her.

Did NatWest's conduct mean that its relationship with Miss B was unfair under sections 140A- of the Consumer Credit Act 1974 ("CCA")?

I'm also mindful that, under DISP 3.6.4R, I'm required to take into account relevant law (as well as other considerations, such as a firm's regulatory obligations) when considering what is fair and reasonable in all the circumstances of a case.

Given this is a complaint regarding a series of regulated credit agreements, I'm satisfied that ss 140A-C CCA is relevant law that I am required to take into account when considering what is fair and reasonable in all the circumstances of Miss B's case. This includes taking into account whether a court is likely to find, based on the evidence available, that an unfair relationship existed in this case under s140A(1)(c) CCA and what it may order as a result.

The concept of irresponsible lending, compliance with the rules in CONC and the relationship with s140A was considered in *Kerrigan v Elevate Credit International Limited* (in administration)² ("Kerrigan"). In *Kerrigan*, HHJ Worcester held in paragraph 188 that the CONC rules:

"reflect the well-considered policies of the statutory body with responsibility for regulating the area, and are drafted with a view to meeting the objectives set out in section 1C of FSMA. They are designed to secure ... an appropriate degree of protection for consumers."

² *Kerrigan v Elevate Credit International Limited (t/a Sunny) (in administration)* [2020] EWHC 2169 (Comm).

The Judge went on to state (in paragraph 190) that:

“The court is not bound to adopt the line drawn by the FCA in its drafting of CONC in this sort of case, but where the rules take account of the need to balance relevant matters of policy, at the lowest it provides a starting point for the consideration of fairness, and at the highest it is a powerful factor in deciding whether the individual relationship is fair or not. Given the burden of proof, when the rules are breached in a substantive way, it is likely to be difficult for the Defendant to show that the relationship was fair.”

Finally in paragraph 209 HHJ Worcester states:

“In an unfair relationship claim, the onus is on the lender to prove fairness. Whilst it is likely that a breach of the rules in CONC will be sufficient to render the relationships unfair, there will be cases where the lender can show that the failure to comply with the rules does not have that effect.”

In this case, I've explained in some detail why I think NatWest failed to carry out reasonable and proportionate checks. I think that its failure to carry out reasonable and proportionate checks saw it fail to act in accordance with the regulator's rules and guidance as set out in CONC 5. I've also explained why I consider that NatWest's information failing to set out how much more Miss B would have to pay to consolidate loan 3 into loan 4, than if she took loan 4 on a side-by-side basis, is unlikely to have been compliant with CONC 4.2.5 R.

I'm therefore satisfied that NatWest breached its obligations under CONC 4 and CONC 5 in a substantive way – particularly as it was failing to take account of its evolving relationship with Miss B and merely continued carrying out the same enquiries over and over again, in much the same way that Elevate was held to have done in Kerrigan.

In these circumstances, it is for NatWest to show that its failure to comply with the rules in CONC did not result in unfairness. I've already explained, in some detail, why I think that NatWest's decision to provide Miss B with loan 4, in the circumstances that it did, resulted in it treating Miss B unfairly – particularly in relation to the significant additional costs Miss B incurred.

For these same reasons, and in the absence of anything from NatWest showing that its failure to comply with CONC did not cause unfairness, I think that a court would likely conclude that NatWest providing loan 4 to Miss B in breach of its regulatory obligations to lend responsibly, resulted in the lending relationship between NatWest and Miss B being unfair to Miss B under s140A.

I think that this is a further reason – whether taken together with or taken independently of my conclusions in the first part of this section – why I think NatWest lent to Miss B when it ought reasonably to have realised Miss B's indebtedness was increasing in a way that was unsustainable or otherwise harmful for her.

Conclusions

Overall and having carefully thought about the two overarching questions, set out on page one of this decision, I find that:

- NatWest *did* complete reasonable and proportionate checks on Miss B to satisfy itself that she was able to repay loan 1 and that it made a fair and reasonable decision to provide this loan;

- NatWest *did not* complete reasonable and proportionate checks on Miss B to satisfy itself that she was able to repay loans 2 to 4. This meant that NatWest failed to act in compliance with the regulator's rules and guidance;
- Had NatWest completed reasonable and proportionate checks before providing loans 2 and 3 it is likely to have concluded that the monthly payments for these loans were individually affordable for Miss B;
- NatWest ought fairly and reasonably to have realised that loan 4 was unsustainable or otherwise harmful for Miss B and so shouldn't have provided it as it would more likely than not unfairly and excessively increased her overall indebtedness;
- NatWest failing to act in compliance with the regulator's rules and guidance in the course of agreeing to provide loan 4 and these actions causing unfairness are separately likely to have led to the lending relationship between NatWest and Miss B being unfair to Miss B under ss140 A-C CCA.

All of the above leads me to the overall finding that NatWest unfairly and unreasonably provided loan 4 to Miss B and that it should now put things right.

Fair compensation – what NatWest should do to put things right for Miss B

Having considered everything, I'm satisfied that NatWest should put things right for Miss B in the following way:

- removing all interest, fees and charges applied to loan 4 from the outset. The payments Miss B made should be deducted from the new starting balance – the £13,550.00 originally lent.
 - If an outstanding balance remains on loan 4 once all adjustments have been made NatWest should set up a repayment plan with Miss B for this amount to be repaid;
- OR
- If once all adjustments have been made this shows that Miss B has made overpayments on loan 4, these overpayments should be refunded to Miss B together with interest at 8% simple a year from the date they were made by Miss B to the date of settlement†;
 - If no balance remains on loan 4 after all adjustments have been made, any and all adverse information should be removed from Miss B's credit file.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Miss B a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 15 July 2025, I'm upholding Miss B's complaint. National Westminster Bank Public Limited Company should put things right for Miss B in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept

or reject my decision before 16 September 2025.

Jeshen Narayanan
Ombudsman