

The complaint

Mr V complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) was irresponsible in its lending to him. He wants the loan written off and any adverse information removed from his credit file. He also wants compensation for the stress and inconvenience he has been caused.

What happened

NatWest provided Mr V with a £18,750 loan in May 2023. The loan term was 63 months and Mr V was required to make monthly repayments of £471.28.

Mr V said that NatWest didn't carry out adequate checks before the loan was provided and had it done so it would have realised that the loan was unaffordable for him. He said the loan has added to his financial problems and caused him distress.

NatWest issued a final response to Mr V's complaint dated 8 July 2024. It said that before lending, creditworthiness and affordability checks were undertaken, including validating Mr V's income against the income received through his NatWest account. It explained that it calculates a credit score based on information from the customer's accounts held with it and information from the credit reference agencies to assess the likelihood of the customer being unable to meet the loan repayments. It said that Mr V met the standard credit score required.

Mr V referred his complaint to this service.

Our investigator thought that NatWest carried out proportionate checks before the loan was provided, noting that it completed a credit check, took details from the application, completed an affordability assessment and also had access to Mr V's NatWest account statements. However, having looked through the information gathered she found this gave a monthly net income lower than the amount Mr V had declared (£1,174, rather than £2,000) and his expenditure averaged around £999, which didn't leave sufficient disposable income to cover the loan repayments. Therefore she upheld this complaint.

NatWest responded to our investigator's view stating that Mr V had other regular income into his account. Our investigator considered this but said the additional payments were not contributions towards expenses and instead money that people owed Mr V. Therefore she didn't think these should be included in the income figure and reiterated that she didn't think Mr V had sufficient income to afford the loan repayments.

While NatWest didn't agree and said it was reasonable that the income figure of £2,000 was relied on, it said that it would accept our investigator's view as a gesture of goodwill.

Mr V said that he wanted the loan balance written off and compensation for the impact this has had on him.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue a decision.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Before the loan was provided, NatWest considered the information Mr V supplied as part of his application, carried out a credit check, completed an affordability assessment and validated Mr V's income against his NatWest bank account. Mr V declared he had a monthly income of £2,000 and NatWest said his account statements supported this. It noted that Mr V had no defaults, county court judgements (CCJ's) or bankruptcies. The affordability assessment suggested Mr V had a reasonable level of disposable income after his repayments towards this loan.

This was a large loan with substantial repayments, and I would expect NatWest to have gathered enough information to ensure it had a clear understanding of Mr V's financial circumstances before lending. As it had access to Mr V's bank account and carried out a full credit search, I think the checks carried out before the loan was provided were reasonable and proportionate.

However, just because I think the checks were reasonable, it doesn't necessarily mean that the loan should have been provided. To assess this, I have considered the information available to NatWest to see if this should have raised concerns about the provision of the loan.

Mr V declared a net monthly income of £2,000. NatWest has said it used Mr V's current account to verify this. However, having looked through Mr V's account statements for the months leading up to the loan, his regular income (from benefits) averaged around £1,174. NatWest has noted other payments into the account and said that including these would support the £2,000 income figure. I have looked at the other payments into the account and these are from individuals and for irregular amounts. Mr V has said the payments were from friends repaying amounts they owed him and weren't contributions towards his costs.

I have thought about the additional receipts into Mr V's account, and I agree with our investigator that the regular income figure of £1,174 would have been the reasonable figure to include in the assessment. However, I have also considered NatWest's comment about contribution to costs and having looked through the payments from the individuals there is only one individual from which the payments are frequent enough to think they might have been a regular contribution. However, as well as receiving money from this individual, Mr V also made payments to the individual and so, if included, I would only expect a net figure to be added. Looking through the statements the net payments for February were much higher than the next two months. Given the variability in these amounts I would expect a conservative approach to be taken which could be to include the lowest contribution or an average of the two months (excluding the higher, outlying figure). This would increase Mr V's income to around £1,400.

Mr V's costs can be seen from his statements, and these include payments for other financial commitments, communication and media payments, as well as other general costs. Mr V's expenses averaged around £1,000 a month. Given the repayments due on the NatWest loan were around £471, (and noting the loan term of 63 months) I do not think I can say that based on Mr V's income and expenditure that these repayments should have been considered sustainably affordable for him. Therefore, I am upholding this complaint.

I note that both parties have accepted the uphold but that Mr V thinks the loan should be written off and he should be paid compensation for the impact this lending has had on him. While I do not underestimate the upset that Mr V has been caused, given he had the benefit of the loan proceeds, I find it reasonable that he is required to pay these back. And while I note the comments he has made about the financial impact and distress he has been caused, in this case I find that the fair outcome is for Mr V not to be required to pay any interest or charges on the loan but I do not require any further compensation to be paid.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mr V has complained to NatWest about, including whether its relationship with him might have been viewed as unfair by a court under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr V in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think NatWest ought to have granted the loan, I don't think it's fair for it to be able to charge any interest or charges under the credit agreements. But I think Mr V should pay back the amount he borrowed. Therefore, NatWest should:

Add up the total amount of money Mr V received as a result of having been given the loan. The repayments Mr V made should be deducted from this amount.

- a) If this results in Mr V having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)*.
- b) If any capital balance remains outstanding, then NatWest should look to arrange an affordable and suitable payment plan with Mr V.
- c) NatWest should remove any adverse information recorded regarding the loan from Mr V's credit file.

*HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr V a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY should take the actions set out above, as it has agreed to do, in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 23 September 2025.

Jane Archer
Ombudsman