

## The complaint

Mr O complains that Metro Bank PLC trading as RateSetter was irresponsible in its lending to him. He wants all interest and charges on his loan refunded, a reduction of the remaining payment plan balance and any adverse information removed from his credit file. He also wants compensation to be considered for the distress and inconvenience he has been caused.

## What happened

Mr O was provided with a £10,000 loan in October 2023. The loan term was 24 months, and Mr O was required to make monthly repayments of £515.88.

Mr O said that the loan was unaffordable and caused him severe financial difficulty. He said that his bank statements from the time showed that he was gambling and that because of this his outgoings exceeded his income. He said that adequate checks weren't undertaken and had they been his gambling would have been identified.

RateSetter issued a final response to Mr O's complaint dated 7 November 2024. It said that Mr O applied for the loan on 24 September 2023, and said the purpose was debt consolidation. Mr O declared he was employed with an income of £65,000 a year and RateSetter verified this with his bank statements. A credit check was undertaken which didn't record any missed payments or defaults in the previous six months. RateSetter said Mr O met its minimum lending and affordability criteria and so his application was approved.

Mr O referred his complaint to this service.

Our investigator didn't uphold this complaint. He thought the checks carried out before the loan was issued were reasonable. As these suggested the loan to be affordable for Mr O and his credit check didn't show any recent signs of financial distress, he didn't think that RateSetter had made an unfair lending decision.

Mr O didn't accept our investigator's view. He didn't accept that adequate checks had been carried out and said RateSetter had not fully considered the implications of the intended purpose of the loan – debt consolidation – and his prior financial indicators such as his previous county court judgement. He said that the view didn't acknowledge his gambling activity despite this being clear from his statements and instead focused on the open banking feed from the time of the application. Mr O said that full consideration hadn't been given to the unfair relationship principle under Section 140A of the Consumer Credit Act 1974 and said that RateSetter's continued enforcement of the loan had caused him significant and ongoing financial and emotional hardship.

Our investigator responded to the points Mr O raised. He said that based on the bank statements RateSetter saw at the time of the loan application, there wasn't evidence of Mr O's gambling and there was nothing to show that Mr O had made RateSetter aware of this. He noted the county court judgment was historic (2019) and didn't think this or the purpose of the loan being debt consolidation was enough to say that RateSetter should have seen Mr O was in financial hardship.

As Mr O's comments didn't change our investigator view's, and 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.

Mr O was provided with a £10,000 loan that required monthly repayments of £515.88. This is a significant loan and so I would expect RateSetter to have got a good understanding of Mr O's financial circumstances before lending.

As part of the application process, Mr O was asked about his employment, income and residential status. He declared he was employed full time with an annual income of £65,000 and net monthly income of around £3,686. Mr O said he was living with parents and had no dependents. Copies of Mr O's bank statements were requested, and these were used to verify Mr O's income. A credit check was undertaken which showed a historic county court judgment but no recent defaults or arrears. Mr O had existing credit commitments and on a call with RateSetter he confirmed he intended to use this loan to consolidate his debts, mainly his credit card debts.

This was a sizeable loan, so I find it reasonable that Mr O's income was verified using his account statements. The credit check showed a county court judgment but this was historic and had been satisfied and so I do not think that this alone meant that further checks were needed. Mr O's recent credit data didn't raise any issues or suggest he was struggling with his existing commitments. Mr O had said the intended purpose of the loan was debt consolidation, and while I note Mr O's comment that this should have raised concerns, I do not find it unreasonable that RateSetter accepted that Mr O would use the loan as intended and given it discussed this further with him, I do not think this meant that the lending shouldn't have been given. So, considering the checks that were undertaken, I think that RateSetter's checks were proportionate and provided a good understanding of Mr O's financial situation.

However, just because I think reasonable checks were undertaken, it doesn't necessarily mean that I think the loan should have been given. To assess that I have considered the outcome of RateSetter's checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

RateSetter has provided details of the account it used to check Mr O's income and having looked through the statements for the months leading up to the loan application, I find these support the income figure used in the assessment. Mr O has said that his account statements showed he was gambling at the time, but this isn't shown in the account statements RateSetter would have seen and as RateSetter was able to verify Mr O's income from the statements it saw, I do not think it was required to ask for any other account statements Mr O had.

Mr O's credit file reported that he had £11,427 of outstanding debt which was split between loans and credit cards. I do not think this suggested Mr O was overindebted. Mr O was utilising around 51% of his credit card limits which I do not think would raise concerns and he confirmed on the call he intended to repay his credit cards with this loan. The credit check showed the county court judgement as being satisfied and as this was dated June 2019, I think it reasonable that this was considered as historic and not a reason not to provide the loan.

Mr O's credit file showed that he had been using payday loans, but these had been settled, and the most recent recorded loans were settled in July 2021. Mr O had also taken out another loan shortly before this application (July 2023) but this had also been settled. Mr O had one loan outstanding and balances on credit cards, and he was up to date with his payments. Therefore, I do not think Mr O's credit report raised issues that meant that further investigation was required or that the loan shouldn't have been issued.

An affordability assessment was undertaken based on Mr O's verified income, and RateSetter calculated that after Mr O's costs, including his RateSetter loan repayments, he would be left with around £747 in disposable income. Having looked through the information received, I do not find this unreasonable and based on this I find that the loan appeared affordable for Mr O.

While I understand that my decision will be disappointing for Mr O and I note his comments about his gambling, as I do not think that RateSetter should have been reasonably aware of this, and I think that the checks carried out support the loan being affordable, I do not find I can uphold this complaint.

I've also considered whether RateSetter acted unfairly or unreasonably in some other way given what Mr O has complained about, and I note his comments about its relationship with him being unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think RateSetter lent irresponsibly to Mr O or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

I note Mr O's comment about the continued enforcement of the loan causing him significant and ongoing financial and emotional hardship. Given the information Mr O has provided about his circumstances, I would expect RateSetter to work with him and to treat him positively and sympathetically in any ongoing communications.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 11 December 2025.

Jane Archer  
**Ombudsman**