DRN-5786254

Financial Ombudsman Service

The complaint

Mrs I complains that National Westminster Bank Plc (NatWest) acted irresponsibly by agreeing to lend to her.

What happened

Around November 2021 Mrs I applied for a revolving credit facility (credit card) with NatWest. Her application was successful, and NatWest issued her with credit card *5399 that had a credit limit of £2,550. Mrs I applied for a credit limit increase around March 2022, NatWest increased Mrs I's credit limit by £500 to £3,050.

Around February 2022 Mrs I applied for a second revolving credit facility (credit card) with NatWest. Her application was successful, and NatWest issued Mrs I with credit card *8384 that had a credit limit of £5,550. Around July 2022, upon her request, NatWest increased Mrs I's credit limit by a further £450 to £6,000.

Around March 2023 Mrs I applied for a third revolving credit facility (credit card) with NatWest. Her application was successful, and NatWest issued her with credit card *7197 that had a credit limit of £2,400. There weren't any further credit limit increases.

Mrs I said she'd struggled to meet her repayments and that NatWest hadn't properly checked whether she could afford to sustain her repayments. In July 2024 she said she was involved in a serious road traffic accident which added to her financial difficulties, she defaulted on all three credit card accounts. Mrs I complained to NatWest.

NatWest said their checks for all credit card applications and credit limit increases were reasonable and proportionate, and that they'd made fair lending decision(s). They said based on these checks Mrs I should have had sufficient disposable income to meet her commitments. They said they were supporting Mrs I as she was experiencing financial difficulty and had provided contact details and a link for her to provide her income and expenditure details.

Mrs I wasn't happy with NatWest's response and referred her complaint to us.

Our investigator said for the first credit card *5399 and subsequent credit limit increase, NatWest's checks were reasonable and proportionate, and based on these checks they'd made a fair lending decision. For credit cards *8384 and *7197 they said NatWest should have verified Mrs I's income. But found that had further checks been done NatWest would most likely have still lent to Mrs I as the lending was affordable for her. So found NatWest hadn't acted unfairly by lending to Mrs I. It was more likely that Mrs I's financial difficulties were caused by a change in her circumstances rather than the lending being unaffordable. And NatWest was working with Mrs I to implement a payment plan.

Mrs I 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 Mrs I will be disappointed by my decision, and I understand the difficulties she is experiencing. But having done so for me to say NatWest must do something differently I must find that they've done something wrong. And I don't think they have. I'll explain why.

We've set out our general approach to complaints about unaffordable/irresponsible lending - including all the relevant rules, guidance and good industry practice - on our website. And I've applied this approach to Mrs I's complaint

I've considered the relevant rules and guidance on responsible lending set by the regulator, laid out in the consumer credit handbook (CONC). In summary, these say that before NatWest offered the credit facility and subsequent credit limit increases, they needed to complete reasonable and proportionate checks to be satisfied Mrs I would be able to repay the debt in a sustainable way.

In deciding what was proportionate NatWest needed to consider things such as (but not limited to): the amount of credit, the size of any regular payments (taking into consideration the rules and guidance in CONC relating to assumptions concerning revolving credit), the cost of credit and the consumer's circumstances.

CONC says a lender needs to take reasonable steps to estimate a consumer's income and non-discretionary outgoings. It says generally a lender shouldn't solely rely on the consumer's declared income but seek to validate this using an independent source such as a credit reference agency (CRA) or third party. It also allows for the use of statistical data in determining the most likely non-discretionary spend a consumer may have.

What's important to note is that NatWest was providing Mrs I with a revolving credit facility rather than a loan. This means there isn't a fixed amount to be paid each month. Any repayment is based on transactions made and any outstanding balance. While there isn't a set amount that needed to be repaid each month CONC requires a firm to assume when carrying out their assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. I've considered the checks NatWest did and what these showed.

*Credit card *5399 – November 2021*

NatWest was approving a credit limit of £2,550, So, I think NatWest could have reasonably assumed Mrs I would need to be able to pay around £127.50 a month to clear the full amount within a reasonable period.

From Mrs I's application she declared she'd an annual income of £28,500, housing costs of £300, and that she was living with her parents. NatWest cross checked this information with a CRA and assessed Mrs I's monthly income to be £1,900, and her revolving credit commitments to be £21.85 a month. Using statistical data, they assessed Mrs I as having living costs of £589, and housing costs of £312.90 (slightly higher than that declared by Mrs I). This should have left Mrs I with a disposable income of £976.25 before factoring in the new lending. NatWest's checks showed Mrs I had unsecured debt of £900 with a debt-to-income ratio of 3%. The checks didn't show any evidence of financial vulnerability as there weren't any county court judgements (CCJ) or defaults recorded.

So, I'm satisfied the checks NatWest did were reasonable and proportionate for the type and amount of credit they were providing. And I don't think that there was anything immediately obvious in the information that they had, including Mrs I's existing credit, which meant they shouldn't rely on it. So, I don't think NatWest needed to have asked Mrs I to provide further evidence in support of her income and expenditure before providing her with a credit limit in this instance. And based on these checks Mrs I should have had sufficient disposable income to sustain the repayments, so I'm satisfied NatWest made a fair lending decision.

Around March 2022, Mrs I asked for her credit limit to be increased, and NatWest agreed to lend a further £500 increasing Mrs I's credit limit to £3.050. If fully drawn down NatWest needed to assess whether Mrs I was able to pay a further £25 a month to clear the outstanding amount within a reasonable period.

NatWest said before a credit limit increase is offered, a credit worthiness assessment is undertaken using a range of CRA information, and the existing account performance, which included an assessment of affordability. NatWest's records show Mrs I was utilising around 82% of her credit limit. She hadn't missed any repayments with no late fees or charges recorded. She was paying more than the minimum required each month, around 8%. And there weren't any signs of financial vulnerability such as high-cost borrowing, CCJ's or defaults. Based on these checks NatWest decided to lend further to Mrs I. I'm satisfied the checks NatWest did were reasonable and proportionate for the type and amount being borrowed. I haven't seen any evidence to show Mrs I wouldn't have been able to sustain the additional lending of around £25 a month. So based on these checks I think NatWest's lending decision was fair.

*Credit card *8384 – February 2022*

NatWest was approving a credit limit of £5,550. So, I think NatWest could have reasonably assumed Mrs I would need to be able to pay around £277.50 a month to clear the full amount within a reasonable period.

From Mrs I's application she declared she'd an annual income of £36,915; she hadn't given an amount for her housing costs but said she was living with her parents. NatWest cross checked this information with a CRA and assessed Mrs I's monthly income to be £2,461; she'd credit commitments including a loan of £69 a month. Using statistical data, they assessed Mrs I as having living costs of £641, with no housing costs. This should have left Mrs I with a disposable income of £1.751 before factoring in the new lending. NatWest's checks showed Mrs I had unsecured debt of £2,300 with a debt-to-income ratio of 6%. The checks didn't show any evidence of financial vulnerability as there weren't any county court judgements (CCJ) or defaults recorded.

While Mrs I's assessment showed she should have had a high level of disposable income. I think NatWest should have checked further as Mrs I declared a much higher income to that she'd previously declared only a few months before. And she didn't declare any housing costs which was different to her previous application. While its not always expected for a business to monitor existing accounts, this information would have been known to NatWest. And given the closeness of the credit card applications and the credit limit being considered I think NatWest should have checked further into Mrs I's financial situation.

Mrs I's bank statements leading up to the application showed she received a regular weekly income alongside other income from a student loan. She wasn't showing any signs of financial vulnerability such as unpaid direct debits or persistent use of an overdraft. She was meeting all her non-discretionary outgoings and had sufficient disposable income to sustain her repayments without causing her any financial distress. And she had access to another bank account as she transferred funds from this account. So had NatWest checked further I think they would have still lent to Mrs I. I haven't seen any evidence to show Mrs I wouldn't have been able to sustain the repayments as she'd sufficient disposable income. So, I'm satisfied NatWest made a fair lending decision.

Mrs I asked for a credit limit increase around July 2022, and her request was agreed with NatWest lending a relatively low amount of £450. If fully drawn down this would mean Mrs I needed to repay around an additional £23 a month. NatWest's checks showed Mrs I was managing her active credit commitments without any signs of financial vulnerability. They also had the additional information as to how Mrs I was managing this account. And her statements show she hadn't any missed or late payment fees. And that she was paying more than the required minimum payments each month, having repaid £1,600 the month prior to the credit limit increase. So, there wasn't anything evident to raise any concerns that the lending wasn't affordable, so I'm satisfied NatWest made a fair lending decision.

*Credit card *7197 – March 2023*

NatWest was approving a credit limit of £2,400. So, I think NatWest could have reasonably assumed Mrs I would need to be able to pay around £120 a month to clear the full amount within a reasonable period.

From Mrs I's application she declared she'd an annual income of £30,000 she hadn't given an amount for her housing costs but said she was living with her parents. NatWest cross checked this information with a CRA and assessed Mrs I's monthly income to be £2,200; she'd credit commitments of £600.59 a month. Using statistical data, they assessed Mrs I as having living cost of £782, but no housing costs. This should have left Mrs I with a disposable income of £617.41 before factoring in the new lending. NatWest's checks showed Mrs I had unsecured debt of £19,300 with a debt-to-income ratio of 64%. There wasn't any evidence of financial vulnerability with no CCJ's or defaults recorded.

Given this was Mrs I's third credit card with NatWest and that her level of indebtedness had increased I think NatWest needed to check further into Mrs I's financial situation.

I can see from Mrs I's bank statements over the three months prior to her application that she'd income consisting of salaried income and benefits of around £2,124 each month. Mrs I also had income from a student loan and access to funds from another of account. So, her monthly income was higher than that used by NatWest in their assessment.

Having reviewed Mrs I's bank statements, I can see she was meeting her non-discretionary outgoings for her rent, council tax, phone, day to day living costs and credit commitments with sufficient disposable income remaining each month to sustain the new repayments.

There weren't any signs of financial vulnerability such as unpaid direct debits or use of an overdraft. I can see there was some gambling activity, but this was on occasion and wasn't of a compulsive nature. I haven't seen any evidence to show Mrs I wouldn't have been able to sustain the repayments.

While it is clear Mrs I was becoming more reliant on credit which is concerning I can also see that this credit card had a 0% interest for balance transfers. And Mrs I utilised this by transferring £2,200 from an interest-bearing account taking steps to reduce her financial outgoings.

So had NatWest checked further I think they would have still lent to Mrs I as I haven't seen any evidence to show Mrs I wouldn't have been able to sustain her repayments. And as the credit card had a 0% interest option this should have helped Mrs I to reduce her monthly credit commitments. So, I'm satisfied NatWest made a fair lending decision.

I appreciate my decision will disappoint Mrs I but in reaching it I've had to consider whether the lending was affordable at the time it was taken out, and I think for each lending decision it was. But I understand Mrs I's circumstances changed significantly after she was involved in a road traffic accident around July 2024 which has not only affected her health but her financial wellbeing as well. I understand NatWest has been working with Mrs I to agree to an affordable payment plan.

Although I'm not upholding this complaint, I'd like to remind NatWest of their obligation to exercise forbearance if they intend to collect any outstanding balance remaining on the account and it's the case Mrs I is experiencing financial difficulty.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Mrs I 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 I've already given, I don't think NatWest lent irresponsibly to Mrs I or other wise treated her unfairly. I haven't seen anything to suggest that s140A 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 I to accept or reject my decision before 24 December 2025.

Anne Scarr
Ombudsman