

The complaint

Mrs C complains National Westminster Bank Public Limited Company irresponsibly provided her with a personal loan.

What happened

NatWest has provided Mrs C with several lending products since around 2008. My decision here deals with a loan of £12,000 provided in November 2021. The loan was repayable over a term of 60 months with equal instalments of around £310. The total repayable value, including interest, was around £18,730. This loan was settled in July 2023 when it was consolidated into another loan provided by NatWest.

Mrs C complained to NatWest in 2024 about a number of lending products she says were irresponsibly provided. NatWest's final response issued in December 2024 dealt with a number of active lending products Mrs C held; however, it appears to have been silent on settled accounts. Given Mrs C's complaint was about all lending products, I'm satisfied NatWest has had its regulatory timeframe to investigate Mrs C's concerns about this loan. As Mrs C was unhappy with the response she received from NatWest, she referred her complaints to our service for review.

One of our investigators looked at the details of this complaint and upheld it. She considered NatWest ought reasonably to have identified through proportionate checks that further lending wasn't sustainably affordable for Mrs C, and that it had therefore made an unfair lending decision when providing this loan.

Mrs C accepted our investigator's view; NatWest didn't respond. As an agreement couldn't be reached the 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.

The information in this case is well known to Mrs C and NatWest, so I don't intend to repeat it in detail here. Instead, I've focused my decision on what I consider to be the key points of this complaint; so, while my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties I've carefully reviewed everything available to me. I don't mean to be discourteous to Mrs C or NatWest by taking this approach, but this simply reflects the informal nature of our service.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website. I've taken this approach into consideration in deciding Mrs C's complaint.

Having done so, I agree with our investigator that NatWest didn't make a fair lending decision when providing Mrs C with this loan. I say this because:

- NatWest hasn't been able to provide us with the data sitting behind all of its checks and therefore how it reached its lending decision. As such, I can't be reasonably satisfied that NatWest completed proportionate checks before providing this lending.
- I've therefore reviewed Mrs C's bank statements covering three months leading up to this lending event. I consider, in the absence of any other contradictory information, that these statements allow me to obtain a reasonable understanding of what proportionate checks into Mrs C's financial situation at the time of this lending would more likely than not have shown NatWest.
- NatWest says it validated Mrs C's income by way of an industry recognised check to be around £2,200. Mrs C's bank statements and her testimony around benefit credits largely support the income figure NatWest used.
- NatWest would have been able to identify that Mrs C had existing debt of around £25,500 with it at the time of its application. It would have seen this was split across revolving and non-revolving credit products, and that the provision of this loan would increase Mrs C's debt liability to NatWest to over £44,000.
- NatWest identified Mrs C's existing monthly commitment to credit stood at around £750 a month, which is also evidenced through the bank statements. The provision of this new loan would increase this monthly payment to around £1,060, representing a significant repayment to debt of around 50% of Mrs C's verified monthly income.
- Mrs C's main bank account is held with NatWest, and it's these statements that I've reviewed as part of my consideration of this case. These statements show that in the lead up to this loan being provided Mrs C's balance remained significantly in an overdrawn position, averaging in the high four thousand to low five thousand pounds, relatively close at times to the approved overdraft facility limit of £5,500. I've seen that Mrs C incurred an average of around £160 a month in debit interest and charges on the account across this period, which is factored into the credit repayments above.
- I'm therefore mindful that NatWest will have had Mrs C's overdraft facility management available to it; as well as information that Mrs C's bank account hadn't seen a credit balance position since around early 2020, which had only come about due to the provision of other NatWest lending. So, it appears to me that the information NatWest had available to it suggested a worsening financial situation.
- I consider NatWest ought reasonably to have been aware that Mrs C was already using borrowing – by way of her overdraft facility – to repay her existing borrowing of around £750 a month to NatWest; and I consider it ought to have been concerned that the provision of this additional lending would only act to further increase Mrs C's reliance and dependency on borrowing to meet the repayments of this loan.
- I don't consider this position to be sustainable for Mrs C. While NatWest's checks may have concluded the loan would be affordable on a strictly pounds and pence basis; I consider it had information available to it which ought to have led to it identifying and concluding that further lending wasn't sustainable for Mrs C, and would likely cause financial harm.

This means, for the above reasons, I don't think NatWest should have provided Mrs C with this loan, and it therefore made an unfair lending decision.

I've also considered whether NatWest acted unfairly in any other way, including whether the

relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I've not been presented with any evidence which leads me to conclude NatWest has acted unfairly in any other way. So, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mrs C in the circumstances of this complaint. I'm therefore 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 provided this loan, it follows I don't consider it fair that Mrs C should have paid any interest or charges under the agreement. But I think Mrs C should pay back the capital amount lent as she's had the use of these funds. I note that this loan was settled in 2023 when Mrs C obtained a further loan from NatWest. So, to fairly resolve this complaint NatWest should:

- Add up the total payments Mrs C made to this loan, together with the amount that was used by way of further finance from NatWest to settle the loan.
- Treat any balance over the original £12,000 capital lent as an overpayment which should be refunded, along with 8% simple interest (calculated from the date of the overpayment until the date of settlement).*
- Remove any adverse information regarding this account from Mrs C's credit file.

*HM Revenue & Customs requires NatWest to deduct tax from this interest. It should give Mrs C a certificate showing how much tax it's deducted if she asks for one.

My final decision

My final decision is that I uphold Mrs C's complaint and I direct National Westminster Bank Public Limited Company to put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 9 March 2026.

Richard Turner
Ombudsman