

The complaint

Mr C says National Westminster Bank Plc ('NatWest'), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards three personal loans. And it has lent to him whilst knowing he had other debt. He says that NatWest hasn't adhered to responsible lending.

What happened

Our Investigator thought the complaint should not be upheld. Mr C disagreed with the Investigator's opinion. The complaint was then passed to me.

I issued my provisional decision saying that Mr C's complaint should be partly upheld. A copy of the background to the complaint and my provisional findings are below in italics and form part of this final decision.

What I said in my provisional decision:

This complaint is about three personal loans that Mr C has taken out with NatWest.

- *Loan 1 was taken on 5 August 2021. He borrowed £6,000 over a term of 48 months. The monthly repayment was £182.63 and if Mr C made all the repayments he would pay a total of £8,801.76.*
- *Loan 2 was taken on 29 December 2022. He borrowed £7,500 over a term of 60 months. The monthly repayment was £290.02 and if Mr C made all the repayments he would pay a total of £12,549.*
- *Loan 3 was taken on 15 July 2023. He borrowed £9,900 over a term of 42 months. The monthly repayment was £336.25 and if Mr C made all the repayments he would pay a total of £14,033.88.*

The proceeds of loan 3 were used to repay loan 2. £7,383.34 was used to settle loan 2 and Mr C received £2,516.66.

Mr C has also complained about an overdraft facility that he was granted by NatWest and two credit cards. I'm not considering these complaints here. But I have taken into account this other lending, alongside other aspects of Mr C's circumstances, when looking at whether the personal loans were responsibly lent.

Mr C complained to NatWest saying that he was irresponsibly lent to. He said this was evidenced by his current debt management plan and that he struggled to make the repayments to the loans. He says the loans were not affordable and had NatWest made better checks it would've seen this and not lent.

NatWest considered this complaint, and it didn't uphold it. It said that it had made adequate assessments in terms of the use of credit. And these checks showed that the lending was affordable. Mr C didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr C's complaint. She didn't think that NatWest had made proportionate checks. But she said that if it had made better checks then it would've seen that Mr C could afford the repayments to the loan.

Mr C didn't agree with the Investigator. He said that his complaint about one of his credit cards had been upheld at a time just before loan 2 was approved. And he didn't understand why, if we had said the credit card was unaffordable, that the loan wasn't also. Because Mr C didn't agree, this matter has been passed to me to make a final decision.

What I've provisionally decided – and why

I've considered all the available evidence and arguments to provisionally decide what's fair and reasonable in the circumstances of this complaint.

When someone complains about irresponsible and/or unaffordable lending, there are two overarching questions I need to consider when deciding what's fair and reasonable in all of the circumstances of the complaint. These are:

1. Did NatWest complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?
 - a. if so, did NatWest make a fair lending decision?
 - b. if not, would reasonable and proportionate checks have shown that Mr C could sustainably repay the borrowing?
2. Did NatWest act unfairly or unreasonably in some other way?

And, if I determine that NatWest didn't act fairly and reasonably when considering Mr C's application, I'll also consider what I think is a fair way to put things right.

Did NatWest complete reasonable and proportionate checks to satisfy itself that Mr C would be able to repay the credit in a sustainable way?

There's no set list for what reasonable and proportionate checks are, but I'd expect lenders to consider things such as the amount, duration, and payments of the finance being applied for, as well as the borrowers' personal circumstances at the time of each application.

NatWest have explained that before loan 1 it asked Mr C about his income and expenditure. He told it that he was earning £2,300 a month. It received the same income information before approving loan 2. And he was earning £2,600 a month just before loan 3. NatWest says it verified Mr C's income using some information from a credit reference agency. And it did this for all three loans. I think it's reasonable to say that NatWest verified Mr C's income.

NatWest also checked Mr C's credit file. And it found out that he did have some other debt. Before loan 1 he was making repayments of £34 each month to an existing loan and £145 to his credit cards. At the time of loan 2 he was repaying £987 a month to his other lending; this was £711 to loans (it's not clear if this includes the NatWest loans) and £276 to credit cards. And this was £724 at loan 3, which was made up of £182 to loans and £542 to credit cards.

NatWest estimated the remainder of Mr C's monthly expenditure using statistical information. At loan 1 it thought he had living costs of £682, and £782 for housing costs. For loan 2 he had £877 living costs, but no housing costs, and he had £862 living costs only before loan 3. NatWest has said that all this information and calculations showed that the lending was affordable.

Loan 1

Our Investigator thought that the checks made before loan 1 were proportionate. I don't disagree with this as Mr C's credit commitments seem to be low at this time and he was repaying it without issue; there was no adverse repayment information on his credit file. And so, I think it was reasonable for NatWest to approve the loan based on the information Mr C supplied, his verified income, his credit file information and the calculations it did.

So, I'm not intending to uphold Mr C's complaint about Loan 1. I note that our Investigator reached the same conclusions and Mr C didn't disagree with this, in the way that he disagreed about the conclusions reached for loans 2 and 3.

Loans 2 and 3

At loan 2 Mr C was borrowing a significant amount, and he was committing to make payments over a further five years. He would need to pay for both loans 1 and 2 together over some of this time. And NatWest's checks showed that Mr C was now making significant credit repayments which look to be not far below half his income.

So, I think it would have been important for NatWest to ensure that he could afford the repayments to the new loan. And I think it would have been proportionate to have asked more questions about Mr C's expenditure rather than, in the main, relying on an estimate of his housing costs and his credit expenditure.

So, I'm not persuaded that the checks NatWest did were reasonable and proportionate before approving loan 2. I think NatWest could have checked in more detail that this further lending wasn't likely to cause him a problem. It should also have done this before loan 3 for the same reasons.

I've gone on to consider what NatWest would likely have found had reasonable and proportionate checks been carried out before loan 2.

I'm not going to go into the detail provided about Mr C's normal income and expenditure. All the parties have been made aware of this, and I think it's reasonable to say that his ordinary expenditure was lower than his income. I agree with this and I'm not intending to say loans 2 and 3 were not affordable for this reason.

But Mr C was gambling significantly when loan 2 was approved, and he's said this was leading to him taking on debt to fund this, which included short term loans and other forms of high cost credit.

Having looked at everything that's been provided I think it's reasonable to say that his debt had now become problematic and his credit file, and bank statements, show he was regularly using shorter term and high cost credit products now. As I've outlined above, this increase in indebtedness is shown in the checks that NatWest did. And I think this is enough to say the lending wasn't fair by loan 2.

I appreciate that gambling is a difficult area and the payments leaving Mr C's account for this don't make it obvious that this is what Mr C was spending his money on. As NatWest has said, the transactions themselves didn't trigger the 'keyword' search that it said it did on his bank accounts. But they weren't hidden either and it is clear to me what this spending was.

And Mr C banked with NatWest and it did have access to his bank statements, it did use some information from these to assess the lending. So, NatWest should have been aware that Mr C was spending and receiving significant amounts each month which weren't from his employment. And these amounts were very high, for example in November 2022 he spent over £8,500 on recognisable gambling transactions.

Overall, I don't think it's reasonable to say these problems couldn't be identified and it's not enough here to say that its automatic system didn't identify them. NatWest was in receipt of, and considered information, that did show this. I think it should have been aware of Mr C's gambling problem when it advanced Loan 2. Again, this was the same at the time loan 3 was approved.

And it's perhaps worth noting that in the final response to the complaint NatWest, unfortunately, said this was a lifestyle choice. I don't think this is a reasonable or fair description of Mr C's gambling problems and I think this underlines the lack of importance that it placed on Mr C's situation. Even though it would directly influence his ability to repay the lending.

And this kind of problematic spending and borrowing isn't sustainable. Mr C did go on to experience financial problems later, and I think it was clear that this was likely to happen when NatWest approved

loan 2. And Mr C's situation was broadly the same at loan 3 so I also think both loans were lent irresponsibly. NatWest would have seen this if it had made proportionate checks and it shouldn't have approved both loans, so it now needs to put things right.

And it's worth noting that Mr C has made several complaints. One of which is about the credit card he started in December 2022 which has been upheld. NatWest has agreed with this and paid compensation on this basis. I think it's reasonable to say that NatWest has already agreed that providing credit to Mr C around the time he started loan 2, and beyond, wasn't right. It's not clear to me why it thinks this lending is fair, given this.

Did NatWest act unfairly or unreasonably in some other way?

I've considered whether the relationship between Mr C and NatWest might have been unfair under section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr C results in fair compensation for him in the circumstances of this complaint.

Part of Mr C's complaint is about how NatWest acted when he informed it that he was having problems repaying the loan in 2024. I think NatWest did try to help him at this point, although it's not clear why he cannot access existing loans online. He does have active credit with NatWest.

I haven't seen anything to make me think NatWest acted unfairly or unreasonably in some other way. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Developments

NatWest, and Mr C, received my provisional decision. Mr C agreed with what I said, and NatWest didn't have anything to add.

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.

NatWest and Mr C didn't raise any new points after receiving my provisional decision. So, I've reached the same conclusions I reached before, for the same reasons. I still think that NatWest should have recognised that Mr C was in financial difficulty at the time it approved loans 2 and 3 and not approved them. I'm therefore upholding Mr C's complaint about loans 2 and 3.

Putting things right

NatWest should now calculate and pay the following compensation:

Loan 2 has been refinanced into loan 3, and loan 3 remains outstanding.

- Remove all interest, fees and charges applied to loan 3.
- Treat any payments made to loans 2 and 3 by Mr C as payments towards the capital amount of loan 3.
- If Mr C has paid more than the capital then any overpayments should be refunded to with 8%* simple interest from the date they were paid to the date of settlement.
- But if there's still an outstanding balance, NatWest should come to a reasonable repayment plan with Mr C.

*HM Revenue & Customs requires NatWest to deduct tax from this interest. NatWest should give Mr C a certificate showing how much tax NatWest has deducted, if he asks for one.

My final decision

For the reasons I've explained, I partly uphold Mr C's complaint.

National Westminster Bank Plc should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 December 2025.

Andy Burlinson
Ombudsman