

The complaint

Mr A complains that The Royal Bank of Scotland Plc (RBS) was irresponsible in its lending to him. He wants all interest and charges removed from his loan so that he is only liable to repay the amount he borrowed. He also wants an affordable repayment plan set up and compensation for the distress and financial strain he has been caused.

What happened

Mr A was provided with a £20,100 loan by RBS in September 2023. The loan term was 60 months, and Mr A was required to make monthly repayments of £501.08.

Mr A said that adequate checks weren't carried out before the loan was issued. He said he was already in default on a previous RBS loan, and his credit file showed significant financial issues. He said the approval of this larger loan placed him under extreme financial strain.

RBS issued a final response dated 14 January 2025 not upholding Mr A's complaint. It said that Mr A had applied for a £7,500 loan in August 2021 and a £3,000 loan in October 2021 and that when he applied for the £20,100 loan in September 2023, there were no arrears or defaults on Mr A's 2021 loans. RBS noted that funds from the September 2023 loan were used to settle Mr A's previous loans. RBS said that affordability and credit checks were carried out before the £20,100 loan was issued and the loan was approved without the need for further checks.

Mr A referred his complaint to this service. He reiterated the points he made about defaulting on a previous loan and his credit score being poor. He also said that his RBS account statements showed he had irregular income and that most of the income seen in his account was from transfers. He said he had high outgoings and that the loan repayment pushed his total repayments to an unsustainable level. Mr A didn't accept that reasonable checks had been carried out and believed that indicators of his strained financial situation had been overlooked.

Our investigator noted this complaint was about the £20,100 loan provided in September 2023. He thought the checks undertaken by RBS before the loan was given were reasonable and as these showed the loan to be affordable for Mr A he didn't uphold this complaint.

Mr A didn't accept our investigator's view. He disputed the results of RBS's credit check saying his credit score was poor and he had missed payments recorded on his accounts, including the previous loan with RBS and he had repeatedly gone over his credit card limits. He explained that he had high expenses due to his dependents, and that he had two car leases (for him and his wife) which cost him over £800 a month. He said that a review of his bank statements would have shown he had very little disposable income.

Our investigator responded to Mr A's comments. He explained that the credit check RBS undertook at the time of the loan application showed no defaults or recent missed payments and it recorded Mr A as being within his limits on his revolving credit. He noted Mr A's comment about his car leases but said these weren't shown in the information he had received. Given this he said his view hadn't changed and he didn't uphold this complaint.

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.

This complaint is about the £20,100 loan provided in September 2023, which required monthly repayments of around £501. As this was Mr A's third loan from RBS, RBS had information available about how Mr A had managed his previous accounts. Mr A said that he was in default on one of the previous loans but having looked through the statements of account, he had managed these accounts well. There was an issue with a payment on his £7,500 loan in November 2021, but this appears to have been resolved before the following payment was due. Therefore, I do not find that I can say Mr A's previous account history should have raised any concerns.

As part of the loan application process, RBS gathered information about Mr A's income and expenses. Mr A's declared income was validated using account turnover and his expenses were based on the information he declared alongside information from the credit reference agencies. A credit check was also undertaken. As the credit check didn't raise any concerns about how Mr A was managing his existing credit commitments and noting the disposable income left based on Mr A's verified income and expenses, I think the checks carried out were reasonable.

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 RBS's checks to see if these raised concerns that meant further information should have been gathered or the loan not provided.

Mr A has disputed the figures used to calculate the affordability of the loan. I have looked through Mr A's RBS account statements for the months leading up to the loan application and these show Mr A receiving a monthly income of around £3,350. However, there were frequent transfers in and out of the account and so based on Mr A's declared income I think it reasonable that the verified income figure of £4,000 was used. Mr A declared his housing costs as £678, and this was increased for the affordability assessment to £773. Additionally, his living costs were recorded as £1,313. I think it reasonable these figures were relied on, and I note that in Mr A's RBS account statements for the three months leading up to the loan application showed he was paying regular amounts for what was labelled as mortgage and bills and these averaged around £1,350.

Mr A's credit commitments included his existing RBS loans and his credit cards, and I note that the 2023 loan proceeds were used to settle the £7,500 loan and that Mr A then also settled the £3,000 loan at the same time. Taking all of this into account, I find that the information received through RBS's checks showed this loan to be affordable for Mr A and as his credit check didn't raise concerns about providing him with further credit, I do not find

that I can uphold this complaint.

I've also considered whether RBS acted unfairly or unreasonably in some other way given what Mr A has complained about, including whether its relationship with Mr A might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think RBS lent irresponsibly to Mr A 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.

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 A to accept or reject my decision before 9 December 2025.

Jane Archer
Ombudsman