

The complaint

Mr H complains that Metro Bank PLC, trading as RateSetter irresponsibly lent to him.

What happened

Mr H took out an unsecured loan from Metro Bank PLC, trading as RateSetter, on 23 August 2022 for £10,000. The loan had an APR of 10.94%, a fee of £666, and a total amount repayable of £12,875.40, with monthly repayments of £214.59 over a 60 month term.

Mr H later fell into financial difficulty and defaulted on the loan within two years of the term. He says RateSetter shouldn't have approved the loan because proportionate affordability checks weren't carried out and the repayment took up a large part of his disposable income. He's asked that RateSetter refund interest and charges, remove negative information from his credit file, and provide redress.

RateSetter issued a final response letter on 28 July 2025, rejecting Mr H's complaint.

Mr H was unhappy with this and referred the matter to this Service.

Our investigator didn't uphold the complaint, concluding that RateSetter completed reasonable and proportionate checks and made a fair lending decision. Mr H didn't agree and raised further points, believing the checks didn't reflect the long-term affordability and had impacted his mental wellbeing.

Because an agreement couldn't be reached, the complaint 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.

Having done so, I'm not upholding the complaint. I know this will disappoint Mr H, so I'll explain why.

I've kept in mind the regulator's rules and guidance on responsible lending (set out in its Consumer Credit Sourcebook – CONC) which lenders, such as RateSetter, need to abide by. RateSetter will be aware of these, and our approach to unaffordable/irresponsible lending complaints is set out on our website. I've used this approach to help me to decide Mr H's complaint. I won't refer to the regulations in detail here, but will briefly summarise them.

The rules and regulations meant that RateSetter needed to carry out a reasonable and proportionate assessment to make sure Mr H could afford to repay what he owed in a sustainable way. Being able to sustainably repay credit means that they needed to consider whether he could repay the loan without undue difficulty, while being able to meet any other commitments and without having to borrow further.

There isn't a 'set list' of checks that lenders must complete, but they must be proportionate

to the type of credit, (the amount borrowed or the term, for example) and suited to the consumers circumstances (such as their financial history, current situation and outlook, any indications of vulnerability or financial difficulty), in order to treat them fairly. The checks needed to be borrower focused—so RateSetter had to think not just about the likelihood of them getting the funds back, but about the impact making the repayments would have on Mr H.

I've reviewed the information RateSetter obtained when assessing the application and considered whether their checks were sufficient to satisfy them that Mr H would be able to meet the repayments without adverse consequences. I've also considered whether, if those checks were reasonable and proportionate, the lending decision itself was fair

RateSetter used information Mr H provided, together with information from a credit reference agency (CRA) to help them decide whether the loan was affordable.

Mr H declared he was a tenant paying rent and employed full-time on an annual salary of £19,918. RateSetter verified income, which indicated a net monthly income of £1,458.22.

RateSetter completed a credit check to understand the credit commitments and repayment obligations that Mr H had at that time. The search showed that he had a debt-to-income ratio of 0%. This meant he had no existing debt and none of his income was being used to repay other loans or credit. There was no negative data recorded. There were no recent defaults or missed payments. There wasn't any evidence of county court judgements (CCJs), Individual Voluntary Arrangements (IVAs) or bankruptcy recorded.

Using the information they had, RateSetter calculated typical expenses of around 45% of income, and that, after the loan repayment, Mr H would be left with disposable income of £441.61. I think this is ample disposable income for Mr H to sustainably repay the loan.

I've taken into account the further points Mr H has raised about his wider circumstances and why he feels those assessments don't reflect his situation at the time. I don't doubt the difficulties he's described, and I've thought carefully about everything he's said. However, based on the information RateSetter had when they assessed the application, I'm satisfied they made a fair lending decision.

Mr H has also referred to other decisions made by this Service. But each complaint is considered on its own merits, based on the individual circumstances and the evidence available at the time of lending. While I appreciate why Mr H feels those cases support his position, they don't change my assessment here. Decisions in other complaints don't automatically determine the outcome in a different case, and having carefully considered everything he's raised, my view on the affordability of this loan remains unchanged.

I want to reassure Mr H that I've read and considered everything he provided. However, I don't need to address every individual argument in detail for him to understand the reasons for my findings. What matters is that I've taken all the relevant information into account when reaching my decision.

I understand Mr H feels that taking out this loan contributed to the financial difficulty he later experienced and that the situation has affected his mental wellbeing. I don't doubt the impact he has described, and again I've thought carefully about everything he has said. However, the information RateSetter had at the time of lending didn't indicate that he was already in financial difficulty, nor were there signs on his credit file that would reasonably have alerted the lender to concerns at that stage. So while I'm sorry to hear about the difficulties he has since faced, I cannot fairly say that RateSetter ought to have known this outcome was likely when they approved the loan.

Taking all of this into account, I'm satisfied that the checks RateSetter carried out were proportionate to the monthly repayment amount in comparison to Mr H's income and expenditure. On that basis, I believe they made a fair and reasonable lending decision.

In reaching my conclusions, I've also considered whether the lending relationship between Mr H and RateSetter might have been unfair to Mr H under s140A of the Consumer Credit Act 1974 ("CCA"). However, for the reasons I've already explained, I'm satisfied that RateSetter did not lend irresponsibly when providing Mr H with the loan. And I haven't seen anything to suggest that s140A of the CCA would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint against Metro Bank PLC, trading as RateSetter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 16 March 2026.

Alison Wharton
Ombudsman