

The complaint

Mrs W is complaining about how Metro Bank PLC trading as RateSetter (RateSetter) have handled a loan account taken out in her name.

What happened

In June 2022, RateSetter approved a fixed sum loan agreement in Mrs W's name. The amount loaned was £12,000 and the agreement required Mrs W to make 60 monthly payments, each of around £214.

In October 2023, Mrs W wrote to RateSetter. She said she took the loan out under duress and fear of abuse. The funds were partially used to buy a car for her estranged husband, and the rest were transferred to him to settle his personal debts. Mrs W said she'd reported the matter to the police. She said she hasn't benefited from the loan, but she was having to make all the repayments. She added that her estranged husband wasn't contributing to any household expenses, leaving her in financial difficulties and under immense stress. She asked that RateSetter consider transferring responsibility for the loan to her estranged husband and asked for reimbursement of the payments she'd made towards the loan. She added that it was deeply impacting her well-being and that of her child.

RateSetter replied promptly. They also investigated an irresponsible lending complaint but were of the view that they hadn't acted irresponsibly in approving Mrs W's application. Mrs W didn't get in touch again until March 2024, saying it had been difficult for her given the circumstances. From that time, the correspondence became frequent and eventually resulted in RateSetter offering to record the loan as partially settled and not pursue Mrs W any further for the amount outstanding.

In June 2024, Mrs W complained to RateSetter. She was upset with the information reported on her credit file in respect of the account. RateSetter addressed this complaint but sent their response by email to her estranged husband's email address – prompting Mrs W to complain about this too.

RateSetter didn't uphold Mrs W's complaint about the credit file reporting, but offered Mrs W £100 in acknowledgement of the upset caused by sending emails to her estranged husband. Mrs W remained unhappy so brought her complaint to our service, where one of our investigators looked into it.

Our investigator's view was that RateSetter hadn't acted irresponsibly or unfairly in approving Mrs W's application. And he said RateSetter didn't need to take any further action in relation to Mrs W's credit file. Finally, he said he didn't think RateSetter's offer of £100 in relation to using the wrong email address was enough given Mrs W's circumstances. He suggested RateSetter should instead pay Mrs W £250.

RateSetter accepted our investigator's view, but Mrs W didn't. She said she didn't actively participate in the loan application process and wasn't in a position to freely consent. She added that the decision to mark her loan as partially settled on her credit file was causing severe damage to her attempts to rebuild her life – she said her mortgage broker declined her application specifically because of the partially settled status. She accepted the £250

compensation but said she wanted the partially settled status to be removed, or to be provided with a formal letter from RateSetter stating that they'd never pursue the remaining balance. Mrs W asked for an ombudsman's decision – and the complaint was passed to me.

I initially asked RateSetter if they'd be willing to provide a formal letter confirming that Mrs W wouldn't be pursued any further for the debt. RateSetter said they had already provided such a letter to Mrs W, so I contacted her to ask if she'd like this re-sent. Mrs W said the letter she'd received was not enough for her mortgage provider to accept it as proof that the debt was fully settled. She set out the wording she'd need in a letter and said if RateSetter declined to do this she'd like the case to be decided, taking into account the precedent set on a previous case she'd had where all entries in relation to a debt were removed from her credit file. RateSetter said they were unable to provide a letter saying the balance had been written off, as it hadn't been. But they were able to confirm Mrs W wouldn't be pursued for the loan. As RateSetter wouldn't settle the complaint in the way Mrs W wanted, I'm now addressing the matter in a formal decision.

I issued a provisional decision in October 2025, saying I thought the loan should be marked as fully satisfied and any other adverse information relation to the loan should be removed from Mrs W's credit file. And I said RateSetter should pay Mrs W £250 to compensate her for the distress caused by sending a detailed final response letter to her estranged husband. I explained my reasons for this as follows:

“Approval of the loan application

I appreciate everything Mrs W has told us and I don't doubt she's provided her honest recollections of the events which have taken place. However, what I have to consider is whether RateSetter should have been aware that Mrs W wasn't freely entering into the agreement.

Mrs W's loan application was submitted online, and the agreement was signed electronically. An email address which included her surname was used. And the phone number given on the application matches the phone number Mrs W's given us. Finally, the loan funds were paid into her sole bank account. So, I can't say RateSetter should have known Mrs W was under duress or wouldn't benefit from the loan – there would have been nothing to indicate to them that this was the case.

Before approving the lending, RateSetter needed to carry out reasonable and proportionate checks to ensure the repayments would be sustainably affordable for Mrs W. They verified her income was at least as high as she'd told them using an automated check from a credit reference agency. And they reviewed her credit file. Having done so, they decided the loan repayments would likely be affordable for Mrs W.

RateSetter told us they allow for up to 45% of an applicant's income to be used to pay debts. This needs to cover the applicant's existing credit commitments as well as the repayments due under the new loan. In Mrs W's case, they said, the application said her income was around £1,460 per month, and they were able to verify that it was at least as high as that. Although the application said she was a homeowner with a mortgage, the credit report didn't show a current mortgage. Instead, the only current debts it showed were on credit cards and totalled around £2,850. So, RateSetter calculated Mrs W's repayments to creditors after taking out the loan would need to be around £355 per month – which was well under their 45% threshold.

The credit file shows Mrs W was well within her credit limits on her credit cards and had missed just one payment within the previous six months. She had defaulted on a credit card, but this was over two years before the loan application and had been satisfied by the time of the loan. So, on the face of it, Mrs W wouldn't have appeared to be in financial

difficulties at the time of the application, and the loan would have appeared affordable for her.

Mrs W told us she'd remortgaged her house to repay some debts. And I can see from her own credit report that when the previous mortgage was settled in February 2022, a much larger one was then taken out. But that wasn't showing on the credit report RateSetter obtained – so I can't say they should have been aware of it.

On balance, I'm satisfied RateSetter carried out reasonable checks and made a fair lending decision. If they had asked for more information about Mrs W's mortgage, I think it's likely they'd have been told what Mrs W told us – that her arrangement with her ex-husband was that he would pay the mortgage and she would cover the bills. And on that basis, I'm satisfied RateSetter would still have fairly been able to approve the loan.

Impact on credit file

In May 2024 RateSetter took the decision not to pursue Mrs W for the outstanding balance on the loan. This was approved by their sensitive accounts committee after Mrs W had provided evidence of her circumstances including a police report. I'm inclined to say that in taking this decision, RateSetter accepted that Mrs W was coerced into applying for the loan, didn't have any significant benefit from it, and shouldn't continue to suffer the consequences of her estranged husband's actions.

RateSetter are correct in saying a credit file ought to reflect what's actually happened. And in this case the debt has only been partially satisfied so that is accurate.

However, I'm mindful that the aim of a credit file is to warn potential lenders of how a debtor may behave in the future. In Mrs W's case, the partial settlement marker is not a reflection of expected future behaviour. And the consequences of it are significant and result in a disproportionate impact on Mrs W – she's been declined a mortgage, and it appears that this was because of the partial settlement marker. That means Mrs W is unable to purchase a new home for herself and her son and is still being impacted by her estranged husband's actions, several years after the loan was approved.

Taking everything together, and because of the specific individual circumstances of this case, I'm inclined to say it would be fair and reasonable for RateSetter to arrange for Mrs W's credit file to be amended to mark the loan as fully satisfied. For the same reasons, and to the extent it hasn't already been done, they should also arrange for any other adverse information relating to the loan to be removed from her credit file.

Email sent to estranged husband

RateSetter have acknowledged that they shouldn't have sent their final response email to Mrs W's estranged husband in June 2024. They explained that this had happened because this was the email address that had been used when the account was first set up and Mrs W hadn't asked for the email address associated with the account to be changed. But they could see she'd contacted them from a different email address and acknowledged they should have checked her contact details at that time.

Mrs W told us how significant the impact of this email was on her – she said her estranged husband had used the detailed information contained in the email to bully her. And, she said, until she found out how he'd got hold of the information about the loan, she was very worried that he'd hacked into her emails or installed spyware on her phone. She also thought the information that shouldn't have been sent to her husband would be used against her in the divorce proceedings.

Mrs W suggested that suitable compensation would be a refund of all payments she'd made to RateSetter. But I don't think it's fair to ask RateSetter to do that. I have to consider the reasons the email was sent to the wrong person, the impact that had, and whether that was reasonably foreseeable. Taking everything into account, I'm satisfied the £250 recommended by our investigator is fair and reasonable."

RateSetter said they had nothing further to add. Mrs W was pleased that I'd suggested RateSetter should amend her credit file. But she said the email being sent to her estranged husband had had a significant impact on her and she thought the compensation should be higher. In summary, she said their mistake had made the abuse she suffered significantly worse because her estranged husband had weaponised the information. She compared the emotional harm to physical harm and asked whether I'd have thought £250 was enough if there was evidence of physical harm. She added that RateSetter knew about the police reports and the coercion, so they ought to have been aware of the possible consequences of sending the email to the wrong person.

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've not been persuaded to change my mind, and I'm upholding the complaint in the same way as I set out in my provisional decision.

I appreciate Mrs W has been through, and continues to go through, a very difficult time. I'm really sorry to hear that. However, it is very difficult to separate the impact of RateSetter's mis-sent email from the overall behaviour of Mrs W's estranged husband. I appreciate Mrs W's husband is using this information against her. But I can't say his behaviour is a direct result of having received that email. And, to answer Mrs W's question, the same would be true if there was evidence she'd suffered physical harm.

My final decision

As I've explained above, I'm upholding Mrs W's complaint. To settle the matter, Metro Bank PLC trading as RateSetter need to:

- Arrange with the credit reference agencies for the loan to be marked as fully satisfied and any other adverse information relating to the loan to be removed; and
- Pay Mrs W £250 to compensate her for the distress caused by sending a detailed final response letter to her estranged husband when they should have checked the contact details on the account first.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 10 December 2025.

Clare King
Ombudsman