

The complaint

Mr G says NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY ('NatWest'), irresponsibly lent to him. He says it didn't make proportionate checks to ensure he could afford the repayments towards several personal loans. He thinks that NatWest lent irresponsibly because of this.

Mr G's complaint has been brought by a representative and I've sometimes referred to Mr G and the representatives' comments as being from Mr G for ease of reading. I've also not done this at times as Mr G's representative has made substantive comments on Mr G's behalf after our Investigator considered the complaint.

What happened

This complaint is about some personal loans that Mr G has taken with NatWest. Mr G has taken five loans in total, but he has only complained about three loans. Some information about these loans is below:

- Loan 1 was started on 7 August 2021. Mr G borrowed £5,000. The loan had a term of 60 months, and the monthly repayments were £132.32.
- Loan 2 was started on 21 July 2022. Mr G borrowed £2,000. The loan had a term of 36 months, and the monthly repayments were £81.77.
- Loan 3 was started on 20 February 2023. Mr G borrowed £9,400. The loan had a term of 60 months, and the monthly repayments were £281.76.

Loan 1 was settled in February 2022 using Mr G's own funds. And loan 2 was settled using the funds from loan 3. NatWest says it was informed that loans 1 and 2 were for car purchases, and loan 3 was for personal expenditure.

Mr G has also taken two other loans, one in October 2023 and one in April 2024. He's confirmed that he didn't complain about these. His representative has said this was because it didn't see them on his credit report. I'm not considering these loans as no complaint has been made about them to NatWest or brought to the Financial Ombudsman Service.

Mr G has complained to NatWest about loans 1 to 3 saying that it hadn't made proportionate checks before lending and it had provided credit irresponsibly.

NatWest considered this complaint, and it didn't uphold it. It said it'd made proportionate checks, and it hadn't lent irresponsibly, it explained why. Mr G didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr G's complaint. She thought the checks made before approving loan 1 were proportionate and showed Mr G could afford the loan. She thought that NatWest could have made better checks before approving loans 2 and 3 but these checks would have also shown the loan was affordable. She didn't think that any of the loans were lent irresponsibly.

Mr G didn't agree with the Investigator and there was some further correspondence which concentrated on Mr G's income and expenditure. Our Investigator, and Mr G's representative, agreed that loan 1 was affordable for Mr G. But Mr G didn't think loans 2 and 3 were affordable for him. The crux of the disagreement was that Mr G's representative thought his expenditure on non-essentials such as entertainment should be considered, and when they were, the loan was unaffordable.

Because Mr G didn't agree, this matter has been passed to me to make a final 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.

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 G 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 G 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 G's application, I'll also consider what I think is a fair way to put things right.

Mr G's representative accepted our Investigator's opinion that that loan 1 was affordable. Because of this I don't think there is any ongoing disagreement about this loan. And, for the avoidance of doubt, given the evidence I have, I don't disagree with what the Investigator said about this lending. And it was part of the borrowing relationship Mr G had with NatWest, and it is something I will take into account when considering the other loans he took.

Did NatWest complete reasonable and proportionate checks to satisfy itself that Mr G 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 it asked Mr G what his income was each time it lent. He told it that it was £1,900 per month before loan 2 and £2,000 per month before loan 3. NatWest said it verified his income for each of these loans using a tool provided by the Credit Reference Agencies ('CRA').

NatWest said that it checked Mr G's credit file, it's not been able to provide full details about this but the information it's provided shows that it found out that at loan 2 Mr G was paying £194 to a personal loan and £46 to his credit cards, and before loan 3 he was repaying £193 a month to an existing loan and £73 to his credit cards.

NatWest says the information from the CRA didn't contain any adverse data. Although it's not been able to show the detail about this.

Mr G said that his housing costs were £400 before each loan. NatWest has used some information from the CRA, and what looks to be statistical information, to estimate that his housing costs were £417 before loan 2 and £456 before loan 3. And his corresponding living costs were noted as being £640 before loan 2 and £782 before loan 3. And it concluded that the lending was affordable after this.

And NatWest has said that it went on to use all this information as part of a credit scoring process which gave a 'score' to this information. Mr G passed all these checks.

Our Investigator said that NatWest should have made better checks on the basis that it couldn't provide full information about the CRA information it had. I don't entirely agree with this as I think NatWest has shown that it did look at his credit file and found out he had other lending and what this was costing him each month. Also, it knew that he wasn't in financial difficulty. I think this was enough here and I don't think that NatWest has lent irresponsibly.

But there has been a significant amount of correspondence about what more detailed checks would have shown. I've addressed some of this below as I think it supports my decision that the lending was fair.

Mr G has provided an up-to-date copy of his credit report. As this also shows historic data, I'm satisfied this will give a good indication of what NatWest would've seen on the credit file it obtained when it considered his finance application. However, there's nothing on this report that shows me NatWest should've declined his application, or that it should've been unduly concerned about his current financial position. There were some incidences of short term lending in the past, but these were settled before the NatWest loans were started. There was no indication Mr G was currently having financial problems.

Mr G has also provided copies of his bank statements for the months before the loans. While I wouldn't have expected NatWest to have asked Mr G for copies of these, I'm satisfied that these statements would give a good indication of what NatWest would likely have taken into consideration had it asked Mr G to verify, or provide more information about, his income and committed expenditure during that specific period.

I'm going to concentrate on Mr G's representatives' calculation about Mr G's income and expenditure which it derived from his bank statements. This confirmed that his income was about £1,900 to £1,950 each month. It said his rent and household bills were £250 a month, he spent £210 on transport, insurance and mobile phones. Mr G spent £600 on credit before loan 2 and £700 a month before loan 3. So, I think it's reasonable to say that taking his fixed living costs from his income does leave Mr G with enough left over to repay the new lending.

The reason Mr G's representative still doesn't think the lending was affordable is that they included all of Mr G's expenditure on food, gambling and entertainment and what it described as 'miscellaneous' expenditures in the affordability calculations. After doing this Mr G still had some money left over, but this was less than the loan amounts. But I don't think including all these things in an affordability assessment is fair. Mr G had a significant amount left over for non-essential expenditure and I would have expected him to use some of this to repay the new lending, as he seems to have done.

And lastly, Mr G's bank statements don't show any signs that he was in financial difficulty. There is no consistent, or problematic, use of his overdraft or indications he was struggling to pay his credit or bills.

So, and while I appreciate this will come as a disappointment to Mr G, I'm satisfied that, had NatWest carried out reasonable and proportionate checks. And if it had looked further into Mr G's circumstances, I think that it still would have found the finance to be sustainably affordable.

Did NatWest act unfairly or unreasonably in some other way?

I have considered whether the relationship 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 it lent irresponsibly to Mr G 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.

I haven't seen anything to make me think NatWest acted unfairly or unreasonably in some other way.

My final decision

For the reasons set out above, I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 January 2025.

Andy Burlinson
Ombudsman