

The complaint

Mr T complains that three loans with National Westminster Bank plc were unaffordable for him and shouldn't have been made to him.

What happened

Mr T applied to NatWest for a loan of £8,000 for debt refinancing in November 2022. The application was accepted and he agreed to repay the loan over 96 months by monthly payments of £198.44. Mr T applied to NatWest for a loan of £15,000 for debt consolidation in December 2023. The application was accepted and he agreed to repay the loan over 96 months by monthly payments of £313.61. Mr T applied to NatWest for a loan of £23,000 for home improvements in April 2024. The application was accepted and he agreed to repay the loan over 96 months by monthly payments of £396.13. That loan was used to repay the outstanding balance of the November 2022 loan.

Mr T also applied to NatWest for a loan of £30,000 for home improvements in December 2024 but his application was declined. Mr T and his partner then made a joint application for a loan of £20,000 later that month and the application was accepted. Mr T complained to NatWest about the four loans in March 2025. It said that all lending is looked at to ensure that it meets its affordability guidelines and it does that by using the information provided during the application, a review of the data registered with the credit reference agencies, credit scoring and Office of National Statistics data. It said that it couldn't agree that it had made any errors.

Mr T wasn't satisfied with its response so referred his complaint to this service. His complaint about the three loans made to him was considered by one of this service's investigators who, having considered everything, didn't recommend that it should be upheld. He was satisfied that the checks carried out by NatWest prior to its lending decisions were reasonable and proportionate for the loans being considered and that the loans were affordable and the lending decisions were fair and reasonable. Mr T has said that this service should just proceed with a complaint about the loans made to him, so the complaint about the December 2024 loan made jointly to Mr T and his partner hasn't been considered any further.

Mr T provided further information about his complaint, but the investigator said that his recommended outcome remained the same. Mr T hasn't accepted the investigator's recommendation and has asked for an ombudsman to make a decision on his complaint. He's provided detailed responses to the investigator's recommendations and says, in summary and amongst other things, that:

- he believes that the affordability assessments were materially flawed because they didn't assess his real financial position at the time of lending which resulted in repeated and escalating borrowing that wasn't sustainable and created an unfair lending relationship under section 140A of the Consumer Credit Act 1974;
- NatWest's assessments didn't consider the bank account through which his income was actually received and his expenditure incurred and it relied on automated checks using credit reference agency data, average expenditure assumptions, and account

turnover analysis;

- his repeated and increasing borrowing should have prompted enhanced scrutiny;
- NatWest's decision to approve a further £20,000 joint loan in December 2024, shortly after declining a sole application, indicates that it had identified increased risk on a sole basis; and
- the financial difficulty that he later experienced was consistent with the pressure already present at the times that the loans were granted.

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 says that each of Mr T's loan applications was made online, on a self-service basis, with no human involvement from it, and it has described the checks that were made. Mr T applied to NatWest for a loan of £8,000 for debt refinancing in November 2022. NatWest says that Mr T had declared that his monthly income was £3,245, which was validated against the system generated average credit turnover through the account with the highest credit turnover. It also says that it used the expenditure information that Mr T had entered in his application with bureau data. It says that its affordability calculation was based on living costs of £977, housing costs of £625, loan repayments of £707 and credit card repayments of £249, which resulted in net free funds for Mr T of £687 which passed its affordability criteria in place at that time.

NatWest says that it calculates a credit score based on information from a customer's accounts held with it and information from a credit reference agency search to calculate a credit score which indicates the expected likelihood of the customer being unable to meet repayments on the new loan and that the credit score for Mr T's application met the standard required. It says that its system also checks for any adverse credit reference agency information, but there was no adverse information showing for Mr T.

NatWest was required to make reasonable and proportionate checks to ensure that any lending that it was considering providing to him was sustainably affordable for him, before lending to him. The loan was for debt refinancing and was repayable over eight years by monthly payments of £198.44. I consider that the checks that NatWest made were reasonable and proportionate for a loan of that amount and duration. I don't consider that there was any requirement for NatWest to have obtained a more detailed understanding of Mr T's financial situation at that time and I don't consider that it was required to ask for, or to review, any of Mr T's bank statements.

After making the monthly loan repayment of £198.44, NatWest's affordability assessment showed that Mr T would be left with a disposable income of £488.56 and, as the loan was for debt financing, I consider that it would have been reasonable for it to have expected Mr T's payments for his existing loan and credit commitments to have reduced. I consider that it was fair and reasonable for NatWest to have concluded, on the basis of the reasonable and proportionate checks that it had made, that the loan was likely to have been sustainably affordable for Mr T at that time and that it made a fair lending decision.

Mr T applied to NatWest for a loan of £15,000 for debt consolidation in December 2023. NatWest says that Mr T had declared that his monthly income was £3,080, which it validated in the same way as for the November 2022 loan. It says that it also made the same checks as for the November 2022 loan. It was more than a year since that loan and this application was for debt consolidation. I consider that the checks that NatWest made were reasonable

and proportionate for an additional loan of £15,000 for debt consolidation, repayable over eight years by monthly payments of £313.61.

I don't consider that there was any requirement for NatWest to have obtained a more detailed understanding of Mr T's financial situation at that time and I don't consider that it was required to ask for, or to review, any of Mr T's bank statements. Mr T has provided bank statements for the account into which his salary was paid for September to November 2023. They show that his income in September and October 2023 was £3,070 and £3,213, which is consistent with the income information that NatWest used in its affordability assessment.

NatWest says that its affordability calculation was based on living costs of £960, housing costs of £598, loan repayments of £635 and credit card repayments of £195, which resulted in net free funds for Mr T of £692 which passed its affordability criteria in place at that time. It says that the credit score for Mr T's application met the standard required and that its checks didn't show any adverse credit information for Mr T. After making the monthly loan repayment of £313.67, NatWest's affordability assessment showed that Mr T would be left with a disposable income of £378.33 and, as the loan was for debt consolidation, I consider that it would have been reasonable for it to have expected Mr T's payments for his existing loan and credit commitments to have reduced. I consider that it was fair and reasonable for NatWest to have concluded, on the basis of the reasonable and proportionate checks that it had made, that the December 2023 loan was likely to have been sustainably affordable for Mr T at that time and that it made a fair lending decision.

Mr T applied to NatWest for a loan of £23,000 in April 2024 for home improvements and to repay the outstanding balance of the November 2022 loan. NatWest says that Mr T had declared that his monthly income was £3,400, which it validated in the same way as for the November 2022 and December 2023 loans. It says that it also made the same checks as for those loans. This loan was for £23,000, repayable over ten years and was applied for only about four months after it had made the December 2023 loan to Mr T. Although the loan was going to be used, in part, to repay the outstanding balance of the November 2022, I consider that reasonable and proportionate checks would have required NatWest to have obtained a detailed understanding of Mr T's financial situation, before making the loan to him. I don't consider that the checks that it made were reasonable and proportionate in the circumstances of that loan, so I've considered what NatWest was likely to have discovered if it had made reasonable and proportionate checks.

I don't consider that reasonable and proportionate checks would have required NatWest to have asked Mr T for, and to have reviewed, his bank statements as information about his income and expenditure could have been obtained in other ways. Mr T has provided a statement for a joint bank account with NatWest for January to March 2024 and a statement for a joint bank account with another bank for late January to March 2024. I've looked at those statements as they are a good source of information about Mr T's income and expenditure. The statement for the account with another bank covers two income payments for Mr T, which average £3,190 each month.

An income and expenditure analysis has been conducted using the information contained in those statements. It shows that the average monthly total income over that period (which includes Mr T's partner's income) was £7,260 and that the average total monthly expenditure was £5,870, leaving an average monthly disposable income of £1,390.

NatWest says that its affordability calculation was based on living costs of £1,006, housing costs of £598, loan repayments of £597 and credit card repayments of £288, which resulted in net free funds for Mr T of £991, which passed its affordability criteria in place at that time. It says that the credit score for Mr T's application met the standard required and that its checks didn't show any adverse credit information for Mr T. After making the monthly loan

repayment of £396.13, NatWest's affordability assessment showed that Mr T would be left with a disposable income of £594.87.

I consider that the income and expenditure analysis shows that the April 2024 loan was likely to have been sustainably affordable for Mr T at that time. If NatWest had made reasonable and proportionate checks, I consider it to be more likely than not that those checks would have shown that the loan was likely to be sustainably affordable for Mr T and I'm not persuaded that there's enough evidence to show that it made an unfair lending decision at that time.

Mr T applied to NatWest for another loan in December 2024, but the application was declined. There was no requirement for NatWest to have lent to Mr T at that time and I consider that its rejection of his application shows that it did conduct an assessment of the sustainable affordability of the loan for which he'd applied. I don't consider that the rejection of that application shows that the earlier loans weren't affordable for Mr T or shouldn't have been made to him. A loan was then made to Mr T and his partner, but Mr T has said that this service should just proceed with a complaint about the loans made to him, so I haven't considered a complaint about the December 2024 loan in this decision.

Mr T says that the loans resulted in repeated and escalating borrowing that wasn't sustainable and created an unfair lending relationship under section 140A. Section 140A gives a court the power, amongst other things, to require a creditor to repay any sum paid by the debtor under a credit agreement if it determines that there's an unfair relationship between the debtor and the creditor. I'm not persuaded that there's enough evidence to show that NatWest has acted unfairly or unreasonably in its dealings with Mr T about the loans or that it's likely that a court would view NatWest's relationship with Mr T as unfair under section 140A.

I've carefully considered all that Mr T has said and provided about his complaint, and I appreciate that my decision will be disappointing for him, but I'm not persuaded that there's enough evidence to show that NatWest lent to him irresponsibly. I find that it wouldn't be fair or reasonable in these circumstances for me to require NatWest to take any action in response to Mr T's complaint. If Mr T isn't able to afford the loan repayments, I suggest that he contacts NatWest and explains to it his financial situation. It's required to respond to any financial difficulties that he's experiencing positively and sympathetically.

My final decision

My decision is that I don't uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 3 March 2026.

Jarrold Hastings
Ombudsman