

The complaint

Miss S complains National Westminster Bank Plc (NatWest) failed to carry out thorough enough financial checks before it approved a loan for her.

What happened

Miss S says NatWest approved a loan of £1,650 for her in June 2021 at a time her income was erratic during the Covid pandemic, and if it had carried out more thorough checks, such as sight of her payslips or bank statements, it would have seen the loan was unaffordable. Miss S says this has caused her stress and worry and has added to her financial problems.

NatWest says before it approved the loan it carried out financial checks using data from credit reference agencies (CRA's) and other external credit sources. NatWest says this data showed there were no adverse entries on Miss S's credit file such as defaults, CCJ's or payment arrangements.

NatWest says it verified Miss S's declared income, using the previous four months average income passing through her bank account to assess affordability. NatWest says Miss S made all the loan repayments on time and repaid the loan early in April 2022. NatWest feels it has lent responsibly here.

Miss S wasn't happy with NatWest's response and referred the matter to this service.

The investigator looked at all of the available information but didn't uphold the complaint. The investigator pointed out there were no set list of checks lenders like NatWest must carry out, but these should be borrower focused. The investigator says NatWest undertook credit checks which showed no CCJ's, defaults or payment arrangements.

That said the investigator felt NatWest's checks weren't proportionate so he reviewed three months of Miss S's bank statements preceding the loan draw down and was satisfied this showed she had sufficient disposable income to make regular sustainable payments towards the loan.

Miss S didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I was sorry to hear Miss S is struggling financially and that must be a source of worry for her. When looking at this complaint I will consider if NatWest's decision to lend was unfair here.

Miss S's complaint centres around her view NatWest failed to carry out thorough enough

financial checks before it approved a loan of £1,650 in June 2021, and if it had it would have seen she was using her overdraft continually and the loan was unaffordable, partly due to her income being unstable during the Covid pandemic.

While I understand the points Miss S makes here, I'm not fully persuaded by her argument and I will go on to explain why.

As the investigator has pointed out there are no set list of checks lenders like NatWest must carry out before approving credit facilities, but these should be borrower focused taking into account the amount, type, term and cost of any borrowing. I should say here it's not for me to tell NatWest what those checks must consist of, or from what sources those checks should come from.

From the information I have seen, before the loan was agreed NatWest carried out credit searches, referenced information contained in Miss S's application, in which she declared she was employed earning circa £1,400 per month. Based on what NatWest have provided from its credit checks, there was no indication of external financial pressure nor any indication on Miss S's credit file of defaults, payment arrangements or CCJ's.

NatWest says it referred to Miss S's bank statements to assess affordability by checking the amount of income she declared against the average income passing through her bank account for the preceding four months, which verified what Miss S had declared.

I have also looked at those bank statements and these show for the four months leading up to the loan being approved, Miss S's average income was £1,433 per month much in line with what Miss S declared and these salary payments remained at a consistent level for that period. It's also worth saying that in addition to her monthly salary, Miss S received regular other state benefits of around £300 per month – so her actual income was higher than NatWest used in its credit assessment.

I should also say that while Miss S had previously made use of an overdraft facility, for the four months leading up to the loan approval there was little or no use of this facility for the majority of the time, so I can't say Miss S was overly reliant on the overdraft at that time, to support her day to day living costs as she suggests.

In fact it would appear her finances were being well managed during the period leading up to the loan that NatWest would have assessed for affordability. This is borne out to some extent by the fact Miss S met all of the monthly loan repayments on time for the next 10 months, at which time she cleared the loan in full.

So on balance, based on the information I have seen, I am satisfied NatWest acted fairly when it approved the loan for Miss S.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Miss S has complained about, including whether its relationship with her might have been unfair under s.140A Consumer Credit Act 1974. However, for the same reasons I have set out above, I've not seen anything that makes me think this was likely to have been the case.

While Miss S will be disappointed with my decision, I won't be asking anymore of NatWest.

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 Miss S to accept or reject my decision before 6 March 2026.

Barry White
Ombudsman