

The complaint

Mr M complains that National Westminster Bank PLC was irresponsible in its lending to him.

What happened

Mr M was provided with a loan by NatWest on 16 March 2023. The amount of credit was £20,950, repayable over 123 months at an interest rate of 6.4% APR with a monthly payment of £239.15.

He says that NatWest didn't carry out adequate checks and therefore made an irresponsible lending decision when they approved the loan. He says that his financial circumstances at the time clearly showed that he would not be able to afford the repayments without falling into significant difficulty. As a result, he says he has been affected financially which also has affected his mental health.

NatWest investigated Mr M's complaint and said that they relied upon the information Mr M declared at the time of his application and fully scored his application. They said that they carried out a full credit check, verified Mr M's income and relied on both internal and external information in determining that the loan was affordable for him.

Our investigator didn't think that NatWest had done anything wrong by providing Mr M with the loan. Although he had been unable to satisfy himself that reasonable and proportionate checks were carried out by NatWest, he had not seen anything to suggest that Mr M would not have been able to afford the loan repayments.

Mr M didn't agree and asked for an ombudsman's review. He feels that NatWest should have considered whether the value and duration of the loan were fair and that these were not. He also feels that the investigation did not provide any evidence of NatWest having done their checks.

Because an agreement couldn't be reached, the complaint has been passed to me to decide. I previously issued a provisional decision which said the following:

"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 intend to uphold this complaint. I've explained why below.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint. While I have taken into account the relevant laws and regulations, my decision is based on what I consider fair and reasonable given the unique circumstances of this complaint.

As our investigator has explained, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, it just needs to ensure the checks are proportionate when considering things like: the type, term and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

Mr M was provided with a loan of £20,950 over 123 months. Before this, NatWest gathered information about his employment, income and residential status. It used data provided by Mr M along with results returned from a credit reference check.

Mr M declared a monthly income of around £2,400 and this was validated against the average credit turnover through his current account with NatWest for the previous six months, excluding the months with the highest and lowest figures. NatWest also carried out an income and expenditure calculation, again based on information declared by Mr M and data held with credit reference agencies. His calculated expenditure was recorded at around £1,937, leaving a disposable income of around £463 per month.

The investigator reviewed a copy of Mr M's credit report, supplied by Mr M and covering the 12 month period preceding the loan application. From that, the investigator calculated that Mr M has a disposable income of £411. This is a lower figure than the figure of £463 calculated by NatWest, and it does not take into account the loan repayment of £239.15. Once the loan repayment has been made, this leaves Mr M with a monthly disposable income of £171.85. As Mr M's income is variable, and the term of the loan is very long at 123 months, this raises concerns for me about affordability. £171.85 is a low amount of disposable income to be left with each month for more than ten years, during which time Mr M's circumstances could change significantly.

I've also noted that only £6,193.81 of Mr M's loan was used for debt consolidation, leaving £14,756 as a cash sum. I can't see any evidence of NatWest asking Mr M what he was intending to use this sum for.

I agree with the investigator that there is not sufficient evidence provided by NatWest to show that reasonable and proportionate checks were carried out by NatWest when considering Mr M's loan application. But, in this circumstance, I have to consider whether reasonable and proportionate checks would more likely than not have shown that he was more likely than not unable to sustainably repay what he was being lent.

For me to consider what reasonable and proportionate checks might have shown, I've looked at Mr M's current account statements from the time. This is because it's the easiest way for me to piece together what proportionate checks might have shown had they been carried out at the time.

Mr M's bank account statements confirm that his income is variable, and also show a significant amount of gambling activity in the months running up to his loan application.

I think had NatWest made proportionate checks when considering Mr M's loan application, it would've realised that there was a high risk that Mr M would be unable to sustainably repay the loan, given his variable income, the low amount of disposable income available, his recent gambling activities and the amount and term of the loan.

I therefore find that NatWest was wrong to lend to Mr M.

In reaching my conclusions, I've also considered whether the lending relationship between NatWest and Mr M might have been unfair to Mr M under s140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct NatWest to do in the section below results in fair compensation for Mr M given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Putting things right

It is reasonable that Mr M repays the capital he borrowed as he has had the benefit of that money. But he has paid interest and charges on a loan that should not have been given.

So, to put things right, I am minded that NatWest should:

- Refund/remove all interest and charges and treat all repayments Mr M made as repayments of the capital.
- If this results in any overpayment, this should be refunded to Mr M along with 8% simple interest (calculated from the date the overpayments were made to the date of the settlement.*
- If this results in there being an outstanding capital balance, NatWest must agree an affordable repayment plan with Mr M.
- Remove any adverse information from Mr M's credit file once any outstanding capital balance has been repaid.

**HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr M a certificate showing how much tax it's taken off if he asks for one. If it intends to use any refund to reduce the capital balance outstanding it must do so after deducting tax."*

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.

Mr M responded to my provisional decision accepting what was said. NatWest however didn't agree. It highlighted that, although I said that NatWest hadn't said what the purpose of the loan was after the previous loan was repaid, it had confirmed in its initial response that it was for home improvements.

I have considered this information but it does not make a material difference to my decision that there is not sufficient evidence of reasonable and proportionate checks being carried out at the time of the lending. It also does not change my view on the affordability and sustainability of the loan, given the amount and term of the credit and the low amount of disposable income it left Mr M with once his payments had been made.

NatWest also disagreed with my decision that the loan payments were unsustainable, and mentioned that Mr M has made the loan payments each month without any difficulties. However, I have to take account of the situation at the time of the application, so the subsequent payment of the loan is not relevant to my decision.

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My final decision

It is my final decision that I uphold Mr M's complaint against National Westminster Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 February 2026.

Hannah Poulton
Ombudsman