

Complaint

Mr N has complained about personal loans which National Westminster Bank Public Limited Company (“NatWest”) provided to him. He’s said that these loans were unaffordable and this created ongoing difficulty as he had to use further credit to manage.

Background

Mr N was provided with two loans by NatWest. His loan history is as follows:

Loan	Date taken	Amount	Term*	Repayment	APR**	Settled
1	October 2016	£1,000.00	60	£30.02	36%	April 2022
2	January 2017	£1,000.00	60	£30.63	36%	December 2022
3	July 2018	£1,000.00	60	£33.37	32%	July 2023

* in months

** approximate

In April 2025, Mr N complained saying that these loans were unaffordable and this created ongoing difficulty as he had to use further credit to manage.

NatWest did not uphold Mr N’s complaint. It thought that it carried out reasonable and proportionate checks before agreeing to lend to Mr N and these showed these loans to be affordable. When Mr N’s complaint was referred to our service, NatWest told us that we couldn’t consider it as it was made too late.

One of our investigators reviewed what Mr N and NatWest had told us. He reached the conclusion that we could look at the Mr N’s complaint about both of his loans. However, he wasn’t persuaded that proportionate checks would have shown the loans were unaffordable for Mr N. So the investigator didn’t recommend that Mr N’s complaint be upheld.

Mr N disagreed with the investigator and asked for an ombudsman’s decision.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. NatWest has argued that part of Mr N’s complaint was made too late because he complained more than six years after it provided him with these loans, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained why it was reasonable to interpret the complaint as being one alleging that the lending relationship between Mr N and NatWest was unfair to Mr N as

described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I’ve decided not to uphold Mr N’s complaint. Given the reasons for this, I’m satisfied that whether Mr N’s complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

I’m also in agreement with the investigator that Mr N’s complaint should be considered more broadly than just the individual lending decisions. I consider this to be the case as Mr N has not only complained about the circumstances behind NatWest’s individual decisions to provide him with his loans, but also the fact he alleges that the provision of these loans created ongoing difficulty as he had to use further credit to manage.

I’m therefore satisfied that Mr N’s complaint can therefore reasonably be interpreted as a complaint that the lending relationship between himself and NatWest was unfair to him. I acknowledge the possibility that NatWest may still disagree that we are able to look at Mr N’s complaint about both of his loans, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mr N’s case, I am required to take relevant law into account. As, for the reasons I’ve explained above, I’m satisfied that Mr N’s complaint can be reasonably interpreted as being about that his lending relationship with NatWest was unfair to his, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (NatWest) and the debtor (Mr N), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mr N’s complaint, I therefore need to think about whether NatWest’s respective decisions to lend to Mr N, or its later actions resulted in the lending relationship between Mr N and NatWest being unfair to Mr N, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Mr N’s relationship with NatWest is therefore likely to be unfair if it didn’t carry out reasonable and proportionate checks into Mr N’s ability to repay these loans in circumstances where doing so would have revealed the monthly payments to have been unaffordable, or that it was irresponsible to lend. And if this was the case, NatWest didn’t then somehow remove the unfairness this created.

I’ve considered Mr N’s complaint in this context.

Our typical approach to complaints about irresponsible or unaffordable lending

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mr N's complaint.

I think that it would be helpful for me to set out that we consider what a firm did to check whether loan payments were affordable (asking it to evidence what it did) and determine whether this was enough for the lender to have made a reasonable decision on whether to lend.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify that information – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

That said, I think that it is important for me to explain that our website does not provide a set list of mandated checks that a lender is expected to carry out on every occasion – indeed the regulator's rules and guidance did not and still do not mandate a list of checks to be used. It simply sets out the types of things that a lender could do.

It is a for a lender to decide which checks it wishes to carry out, although we can form a view on whether we think what done was proportionate to the extent it allowed the lender to reasonably understand whether the borrower could make their payments.

Furthermore, if we don't think that the lender did enough to establish whether the repayments to an agreement were affordable, this doesn't on its own mean that a complaint should be upheld.

We would usually only go on to uphold a complaint in circumstances where we were able to recreate what reasonable and proportionate checks are likely to have shown – typically using information from the consumer – and this clearly shows that the repayments in question were unaffordable.

I've kept this in mind when deciding Mr N's complaint.

Application to Mr N's complaint – Did NatWest act fairly and reasonably when deciding to provide Mr N with his loans?

The parties' arguments

NatWest says it agreed to Mr N's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on credit searches which it carried out. In its view, all of this information showed Mr N could afford to make the repayments he was committing to on both occasions. On the other hand, Mr N has said that these loans were unaffordable and created ongoing difficulty as he had to use further credit to manage.

Why I think that NatWest's checks before providing these loans to Mr N were reasonable and proportionate

As I've set out in the background section of this final decision, Mr N was provided with three separate loans for £1,000.00 which had 60-month terms and monthly payments of around £30. Mr N looks to have declared that he was earning around £1,000.00 a month at the time

of loan 1, £1,400.00 at the time of loan 2 and £1,245.00 at the time of loan 3. I understand that these declarations were cross checked against the amount of funds Mr N received into his main bank account each month.

I understand that the credit checks NatWest carried out didn't show that Mr N had any significant adverse information – such as defaulted accounts or county court judgments (“CCJ”) recorded against him. So it looks to me to be the case that NatWest took steps to check Mr N's income.

Given what NatWest's credit searches showed, Mr N's income as well as the rest of the information he declared, I'm satisfied that there was no obvious reason for NatWest to question the rest of the information it had obtained during its assessments.

As this information suggested that the, what can fairly and reasonably be described as the low, monthly repayments for these loans were affordable for Mr N, I don't think that it was unfair or unreasonable for NatWest to reach this conclusion on the applications and agree to provide Mr N with these loans.

For the sake of completeness, I would also add that even if I were to agree that NatWest ought to have done more here, the absolute most I would have expected it to do was find out more about Mr N actual regular living costs, rather than rely on statistical estimates. And I've not seen any persuasive evidence that NatWest doing this for Mr N's applications would have shown it that this loan was unaffordable.

I say this because NatWest has provided with Mr N's current account transaction history and this does not show me that Mr N's actual living costs made these loans unaffordable. I accept that Mr N did use an arranged overdraft but there isn't a prohibition to lending to a customer in these circumstances.

Furthermore, it's fair to say that there were occasions where Mr N had a credit balance. In any event, if Mr N is unhappy at how he was allowed to use his overdraft, this is a separate matter from whether he should have been given these loans.

Mr N's pattern of lending – Is it the case that NatWest ought reasonably to have realised that it was unsustainable or otherwise harmful for him?

I've also kept in mind that NatWest provided second and third loans to Mr N and that repeat borrowing in itself can sometimes be an indication of difficulty. However, in this case, Mr N had successfully made all of his repayments to loans 1 and 2 by the time he applied for loan 3. And the amount he was allowed to borrow for these loans wasn't increasing either.

Furthermore, while I've thought about what Mr N has said about the fact that it was unfair that NatWest didn't consolidate all of his borrowing into one loan, I don't think consolidation would have necessarily worked out better for Mr N. I say this because loans typically work on an amortisation schedule and in the early part of this schedule more of the monthly payment goes towards the interest rather than reducing the capital as the amount owed is highest at the start of the loan.

When Mr N would have asked to consolidate, he would have been at the stage where he had started to make inroads into the capital he owed. IN other words, a lot of what he had repaid was interest and he was now starting to make bigger inroads into the capital. Consolidating the earlier loans would not only have resulted in early settlement interest

being added¹, but would have resulted in the amortisation schedule starting again as Mr N would have taken a new loan. In these circumstances, I'm not necessarily persuaded that it was in Mr N's interests to have consolidated his loans in the way that he requested. And I don't think that NatWest unfairly refused any consolidation request.

Furthermore, as I've explained the amount of Mr N's loans wasn't increasing. I can't see that there was a correlation between the amounts Mr N borrowed and the amount of his monthly payment either. Indeed, the total amount of Mr N monthly payments to NatWest only reached ever reached around £90. In these circumstances, there isn't anything to indicate that Mr N took out his later loans in order to make his repayments to his earlier ones.

As this is the case, while Mr N being a repeat borrower has led to me taking a closer look at the overall pattern of lending here, I'm satisfied that it wasn't unfair for NatWest to have provided loans 2 and 3, to Mr N on the basis that it ought to have realised that it was increasing Mr N's indebtedness in a way that way unsustainable or otherwise harmful.

Having carefully considered everything and while I appreciate that this will disappoint Mr N, I've not been persuaded that proportionate checks would have shown NatWest that it shouldn't have provided loans 1, 2 and 3 to Mr N. Furthermore, I don't think that Mr N's pattern of borrowing meant that NatWest offered loans 2 and 3 in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for him either.

Overall, and based on the available evidence I don't find that Mr N's relationship with NatWest was unfair. I'm not persuaded that NatWest created unfairness in its relationship with Mr N by irresponsibly lending to him. I don't find that NatWest treated Mr N unfairly in any other way either based everything I've seen. So while I can understand Mr N's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr N. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 23 March 2026.

Jeshen Narayanan
Ombudsman

¹ As Mr N was provided with loans which had 60-month terms, NatWest would have been entitled to add 56 days interest to the capital balance outstanding at the time Mr N wanted to consolidate.