

The complaint

Mr M complains that The Royal Bank of Scotland Plc (RBS) lent irresponsibly to him.

What happened

RBS agreed the following three loans for Mr M:

- On 10 November 2021 it gave a £5,000 loan to be repaid over 24 months. The monthly repayment was around £225 per month. (“Loan one”)
- On 30 June 2022 it gave a £1,500 loan to be repaid over 12 months. The monthly repayment was around £140 per month. (“Loan two”)
- On 15 November 2022 it gave a £3,000 loan to be repaid over 18 months. The monthly repayment was around £190 per month. (“Loan three”)

Mr M argues that RBS shouldn't have agreed these loans. Mr M says he had a problem gambling condition at the time and was spending large amounts of money on gambling. He argues that if RBS had completed sufficient checks, including considering the current account he held with it, RBS would have seen that it wasn't responsible to lend.

RBS considered Mr M's complaint but didn't agree. It said that it completed proportionate checks and as a result of these checks, it was reasonable to lend. With regards to gambling payments, RBS agreed it considers these to be “*high risk*” transactions. As part of deciding whether or not to lend, RBS said it compared the total amount of identifiable gambling transactions in a given period with Mr M's average account turnover. And it said that based on this assessment; it was reasonable to lend.

Mr M didn't agree and referred his complaint to our service. One of our investigators considered the complaint and didn't uphold it. They thought that RBS completed proportionate checks before agreeing the first two loans and that based on the information these checks revealed, it was reasonable to lend. In relation to the last loan, whilst the investigator didn't think the checks were sufficient, they felt that proportionate checks would have still suggested it was reasonable to lend.

Mr M didn't agree. He provided substantial information about his circumstances at the time these loans were given, and since that time, and he asked for an ombudsman to consider the complaint.

I issued a provisional decision where I said I was minded to uphold this complaint. In my provisional decision I said:

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'm intending to uphold Mr M's complaint in relation to all three lending decisions. I'll explain why below.

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

RBS needed to make sure it lent responsibly to Mr M. It therefore needed to complete sufficient checks to determine if Mr M could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Before agreeing these loans, I can see RBS completed a credit search and asked Mr M for information about his income and expenditure. It also verified Mr M's declared income against average account turnover. And as explained above, some assessment was completed on his current account activity. Based on the information these checks revealed, RBS argued it was reasonable to lend.

Given the size and term of the loans in question, I think these were the types of checks I would have expected RBS to complete. It had gathered information about Mr M's income and expenditure and looked to see how he was managing any existing credit commitments. However, I think RBS had sufficient evidence to conclude that it shouldn't have lent to Mr M, based on the "high risk" activity it has said it considered on Mr M's current account.

Loan One

Before agreeing Loan one RBS has said it effectively screened Mr M's account for activity it considers to be high risk, which includes gambling transactions. So, RBS has acknowledged it took steps to check Mr M's current account for problem gambling before agreeing to lend.

It said it compared the total amount spent on gambling, with the average account turnover. However, RBS calculated Mr M's account turnover to be almost double his declared monthly net income of £1,450. I have some concerns about RBS relying on Mr M's account turnover figure when it was almost double what he declared in net income. Particularly as it's unlikely Mr M would underestimate his income by such a substantial amount when applying for credit. I'm also mindful that it would have been relatively straightforward for RBS to verify his actual net monthly income given it was paid into his RBS current account.

I have reviewed Mr M's RBS current account statements, and I can see a substantial number of gambling transactions in the months leading up to the loan in question. In the month immediately prior to this loan being given there are over 40 individual and clearly recognisable gambling transactions. And Mr M spent around £1,000 in total on gambling during this period. In the two months prior to this the sums spent on gambling are even higher. So, Mr M has spent the vast majority of his income on problem gambling in the months leading up to this lending decision.

I appreciate RBS has said that it compared total gambling transactions to account turnover which was considerably higher than his income. However this clearly runs the risk of including gambling credits and transfers between accounts, so it distorts how much of the consumer's actual income is spent on gambling. And having considered the total amount spent on gambling (as RBS has said it did) I have clear concerns about the lending decision made. I think RBS had clear evidence that Mr M was problem gambling in the months leading up to this lending decision. RBS has said it considered this information but still agreed to lend. However, based on the evidence I have seen, I think it's clear that RBS has made an unfair and irresponsible lending decision. So, I intend to uphold Mr M's complaint in relation to this loan.

Loans two and three

Loan two was applied for just over six months after Loan one was provided, and Loan three was around another six months later. I'm mindful that someone who has a problem gambling condition shouldn't be permanently excluded from accessing credit. However, given that RBS would have been aware of his previous application (Loan one) and the evidence it considered in relation to this lending decision, it would be proportionate for RBS's checks to be more extensive than it typically would be for loans of these sizes. After all I think the checks completed before Loan one should have alerted RBS to Mr M's problem gambling condition. So, I think it would be proportionate for RBS to consider Mr M's current account activity for signs of "high risk" activity.

I have reviewed Mr M's current account activity in the months leading up to these applications and I've noted a considerable decline in clear gambling transactions. However, I can see a high frequency of transfers to other accounts of Mr M's. For example, I can see around £1,000 in total is transferred to another of Mr M's accounts in the month prior to lending. This isn't a single transaction, but is made up of over 15 individual transfer transactions. In the month prior to this over £1,400 is transferred to Mr M's other account through over 20 individual transfers. There are also additional transfers to at least one other account of Mr M's. Turning to the month leading up to Loan three, over £4,000 in total was transferred to another of Mr M's accounts through more than 40 transactions.

The nature and frequency of these transactions doesn't suggest to me that Mr M has stopped problem gambling. Rather they suggest to me that Mr M has changed how he gambles and is moving money to another account to facilitate this. However, in any event, given the volume and total amount of the transfers and the context of what RBS would have known about Mr M's previous problem gambling, I think RBS should have asked more questions about these transactions before agreeing to lend to Mr M.

I can't know what explanation Mr M would have given if asked, and I'm also mindful that this would have been in the context of Mr M making an application for loans. However, I think it would be difficult for Mr M to have credibly explained the nature and volume of those transactions in a way that should have satisfied RBS that it was reasonable to lend. And if RBS had requested further information, it's clear this would have shown Mr M was spending the funds on problem gambling.

So, I don't think RBS should have agreed Loans two or three. I think that if RBS had completed reasonable and proportionate checks before agreeing these loans, it would have seen that it was irresponsible to lend to Mr M.

In response Mr M accepted my provisional decision. RBS disagreed and made the following points:

- It does not feel my provisional decision was fair.
- The applications were credit scored and there were a large amount of net free funds available.
- The gambling was within RBS' tolerance level and gambling is a legal pastime. In addition, Mr M had not informed RBS of any gambling issues.
- All three loans were repaid early which doesn't suggest they were unaffordable.

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'm still minded to uphold this complaint for the reasons set out in my provisional decision.

The full details are set out in my provisional decision which forms part of this decision, however I will summarise my key findings below and address RBS' points in response.

Turning to the events at the time the first loan was given, RBS has said it considered how much Mr M was spending on gambling in the months leading up to this lending decision. And it has acknowledged that gambling payments are "*high risk*" transactions. I take this to mean that when considering whether or not it is responsible to lend, RBS accepts that the volume of gambling will impact that decision. So, I don't accept RBS' argument that because gambling is a legal pastime that these payments are not significant when considering if it is responsible to lend.

Furthermore, I think RBS had clear evidence to show that Mr M was problem gambling and therefore a vulnerable consumer. So, I don't think it makes a difference in this case whether RBS was expressly told by Mr M that he was problem gambling. As explained in my provisional decision, RBS has acknowledged that it considered the volume of gambling transactions before agreeing to lend. Having reviewed these myself I can see that he was gambling a significant proportion of his income. This was overlooked by RBS because it said it considered total amount spent on gambling against account turnover. However, RBS had asked Mr M for his net monthly income, and he had declared a figure which was around 50% less than his average account turnover. So, I think RBS had reason to explore this further. And I think if RBS had considered Mr M's net monthly income against the amount spent on gambling in the months leading up to this lending decision, it would have seen it was irresponsible to lend.

RBS has said that its checks suggested the loans were affordable for Mr M and that he repaid them early, again demonstrating this. I would remind RBS that the rules require the lending to be sustainably affordable and so just because he repaid them, it doesn't mean he did so in a sustainable way. However, in any event, my findings in my provisional decision were that I thought RBS lent irresponsibly to Mr M. It has acknowledged that it considered the gambling on Mr M's current account and had asked him for his net monthly income. So from this information it was aware Mr M was gambling a significant amount of his income. I therefore think that in the circumstances of this case, it was irresponsible to lend to him.

Turning to Loans two and three, I acknowledged that someone who had a problem gambling condition shouldn't be excluded from accessing credit in the future. However, given that RBS would have been aware of his previous application (Loan one) and the evidence it considered in relation to this lending decision, it would be proportionate for RBS's checks to be more extensive than it typically would be for loans of these sizes. After all I think the checks completed before Loan one should have alerted RBS to Mr M's problem gambling condition. So, I think it would be proportionate for RBS to consider Mr M's current account activity for signs of "high risk" activity.

As I explained, I think the pattern of account activity in the months leading up to each loan was concerning. There is a high volume of small transfers into Mr M's other accounts in the months leading up to the loans being agreed. This totalled around £1,000 in the month prior to Loan two. And in the month prior to this it totalled £1,400. In the month leading up to Loan three this totalled over £4,000. The pattern of activity on his current account suggests to me that he was still gambling, but had changed how he did this. But in any event, I think in the context of what RBS already knew about Mr M, it should have asked more questions about these transactions before agreeing to lend. And given the volume and amount of these transactions, I think it would be difficult for Mr M to have given a plausible explanation which would have suggested to RBS that it was still reasonable or responsible to lend. So, this leads me to conclude that Loans two and three weren't responsibly lent to Mr M.

Putting things right

As I don't think RBS ought to have agreed any of the loans in question, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. Therefore, in relation to each loan agreement, RBS should:

- Add up the total repayments Mr M has made and deduct these from the total amount of money Mr M received:

a) If this results in Mr M having paid more than he received, any overpayments should be refunded along with 8% simple interest per year (calculated from the date the overpayments were made until the date of settlement).†

RBS should also remove all adverse information regarding this account from Mr M's credit file.

b) If any capital balance remains outstanding, then RBS should arrange an affordable and suitable payment plan with Mr M. Once Mr M has cleared the balance, any adverse information in relation to the account should be removed from Mr M's credit file.

† HM Revenue & Customs requires RBS to take off tax from this interest. RBS must give Mr M a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I uphold this complaint against THE ROYAL BANK OF SCOTLAND PUBLIC LIMITED COMPANY and require it to put things right in the way detailed above.

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

Claire Lisle
Ombudsman