

The complaint

Mr F complains that TSB Bank plc lent irresponsibly when it approved his loan application.

What happened

The background to this complaint and my initial conclusions were set out in a provisional decision. I said:

Mr F applied for a TSB loan of £24,000 in May 2024. Mr F gave a monthly income of £2,500 and mortgage costs of £342. Mr F also said he had general living expenses of £760 a month.

TSB completed a credit search and says it took Mr F's existing debts into account with monthly repayments totalling £516. No adverse credit, defaults or recent missed payments were noted on Mr F's credit file.

TSB completed a creditworthiness assessment using credit scoring. TSB also completed an affordability assessment using mortgage costs of £473 a month along with £760 for Mr F's general living expenses and £516 a month for his existing debts. TSB says that left Mr F with around £750 a month as a disposable income which was more than sufficient to cover new loan repayments at £536.17.

TSB approved Mr F's application and the loan funds of £24,000 were released.

More recently, Mr F complained that TSB lent irresponsibly and it issued a final response. TSB said it had completed the relevant lending checks and credit scoring process when looking at Mr F's compliant. TSB didn't agree it lent irresponsibly to Mr F and didn't uphold his complaint.

Mr F referred his complaint to this service and it was passed to an investigator. They thought TSB had completed proportionate checks before approving Mr F's application and its decision to lend was reasonable based on the information it obtained. Mr F asked to appeal and said he was using credit to appear solvent when he applied for the TSB loan. Mr F also said his income was overstated and outgoings understated in the application. Mr F said TSB had missed indicators of financial stress and dependence on borrowing. As Mr F asked to appeal, his complaint has been passed to me to make a decision.

What I've provisionally 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.

Before agreeing to lend, the rules say TSB had to complete reasonable and proportionate checks to ensure Mr F could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information that TSB used when considering Mr F's loan application above. Mr F confirmed he was employed full time and gave a monthly income figure of £2,500. Mr F's explained his income was lower than the figure provided in the application and that he was taking cash advances from credit cards to make ends meet.

I've reached a different view of Mr F's complaint to the investigator. I reviewed the information provided by TSB. I can see TSB has confirmed the credit score it gave Mr F's application, a Delphi score and an indebtedness score. TSB has explained that it didn't receive a full copy of Mr F's credit file showing individual accounts or their histories. TSB says the presence of adverse information like defaults or recent missed payments would've led to the application being declined.

The issue I have is that Mr F has explained his credit file would've shown a regular use of credit cards for cash advances that he was using to support his living expenses. The credit file data provided by TSB doesn't appear to record cash advances from credit cards. I think that information would've been pertinent to any application for new credit Mr F made. Based on the information provided, I'm unable to safely conclude proportionate checks were completed, especially given Mr F already appears to have owed a reasonably high amount of unsecured debt and has explained he was using credit cards for cash advances in the preceding months.

In response to the investigator, Mr F confirmed his income was lower than the figures used by TSB in the application and that he was borrowing money each month to make ends meet. I recently went back to both parties for additional information concerning Mr F's income. Mr F pointed to his current account, which was also administered by TSB, that shows he wasn't earning £2,500. TSB says it looked at Mr F's current account turnover which showed an income of £3,815 which was higher than the declared income of £2,500 he gave. Mr F, in turn, says the higher current account turnover reflected cash he was taking from credit cards to support everyday spending, not income.

Given the loan amount, term, level of repayments, existing debts and information obtained by TSB, I think it would've been proportionate to have verified Mr F's income and outgoings in more detail to ensure repayments to a new loan were sustainable.

I've reviewed the available information including Mr F's current account statements, credit card statements and credit file. They show Mr F took cash advances from his credit cards of £1,500 in February 2024, £750 in March 2024 and £1,200 in April 2024. Mr F's average income from his employment came to £1,846 a month. As noted above, TSB used a current account turnover approach when checking Mr F's income level. But I think it's clear that that approach took cash advances Mr F was taking from his credit cards in addition to his employed income. Mr F's actual income was significantly lower at £1,846 a month. If that figure had been used in TSB's affordability assessment, Mr F's application would most likely have been declined due to the lack of disposable income.

I also looked at Mr F's regular outgoings. Mr F's outgoings for items like his housing costs, household bills, unsecured debts, food, transport, insurances, communications and other regular expenses came to an average of £2,069 a month, around £220 a month more than his income. I think a review of Mr F's bank statements, which were available to TSB, would've quickly shown his income was already lower than his outgoings and that he was regularly borrowing from credit cards to make ends meet.

TSB may argue that Mr F was consolidating other debts to his new loan and I accept that was the case. But the new loan came with an annual interest rate of 12.19% and the term was 60 months. Monthly repayments were £536.17. I haven't seen anything that shows TSB looked at the level of savings Mr F may've made by consolidating other debts or that the new loan led to a saving in the long term.

In my view, TSB hasn't shown proportionate checks were completed. And given the loan amount, term and level of repayments in addition to Mr F's other debts, I think proportionate checks should've looked to get a more detailed picture of his income and outgoings. I'm satisfied TSB had access to Mr F's current account so would've been able see his actual income was lower than the £2,500 figure it used.

I think a review of Mr F's bank account would've shown his income was lower than his outgoings and that he was taking regular and substantial cash advances from credit cards to make ends meet. I think a more detailed approach would've most likely shown TSB Mr F wasn't able to sustainably afford repayments to a new loan of £24,000 and led it to decline his application. I haven't been persuaded TSB lent responsibly so I intend to uphold Mr F's complaint and direct TSB to refund all interest, fees and charges applied to the loan.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Mr F in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I invited both parties to respond with any additional information they wanted me to consider before I made my final decision. Mr F responded to confirm he was willing to accept. We didn't receive a response from TSB.

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.

As no new information has been provided and Mr F confirmed his acceptance I see no reason to change the conclusion I reached in the provisional decision. I still think Mr F's complaint should be upheld, for the same reasons.

My final decision

My decision is that I uphold Mr F's complaint and direct TSB Bank plc to settle as follows:

Add up the total amount of money Mr F received as a result of having been given the loan. The repayments made should be deducted from this amount.

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

b) If any capital balance remains outstanding, then TSB should arrange an affordable and suitable payment plan with Mr F.

† HM Revenue & Customs requires TSB to take off tax from this interest. TSB must give Mr F a certificate showing how much tax it's taken off if they ask for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 22 May 2026.

Marco Manente
Ombudsman