

complaint

Mr M complains The Royal Bank of Scotland Plc gave him a large overdraft facility in October 2017 even though he'd previously exceeded his overdraft limit on a number of occasions.

background

Mr M says he'd exceeded his overdraft limits in June, July, August and September 2017 and it should've been clear to RBS he was gambling heavily. And based on his income the overdraft was not affordable.

RBS said Mr M had a £3,500 overdraft facility which it granted on 15 May 2017. It said his account was "*generally well maintained within the agreed facility or brought quickly back within limits*" And it said there wasn't any activity on his account that would've raised any concerns. In October 2017 Mr M applied online for an overdraft limit of £5,500. He passed its checks and so his application was granted. It said Mr M applied to increase his overdraft facility again in November 2017. But this application didn't pass all the relevant checks. So it didn't think it'd done anything wrong.

As a gesture of goodwill RBS waived £65.27 interest and refunded a further interest charge of £71.14. It suggested he should speak to its Debt Management Operations Pre Emptive team. It said this team could help him set up an affordable repayment plan to help reduce the balance on his account alongside the overdraft limit. And it gave him the details of two independent debt advisors.

The adjudicator could see that Mr M had applied for a number of increases to his overdraft limit between November 2015 and October 2017. He had made all the applications online. He thought RBS had completed all the necessary checks before granting the final application. So he didn't think RBS had done anything wrong.

Mr M wasn't happy with this. He said he'd had a number of pay day and short term loans in 2017. And in January 2017 he spent over £1,000 on gambling and in February 2017 he spent just under £1,000. He had a number of unarranged overdraft charges but in March 2017 RBS agreed to increase his overdraft from £250 to £2,000. It then agreed further increases up to October 2017 when it was increased to £5,500. At that stage Mr M said his net income was only £1,300.

my findings

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

I can see that between 27 March 2017 and 15 May 2017, after Mr M made online applications, RBS increased his overdraft limit on four occasions from £2,000 to £3,500. And on 16 October 2017, after Mr M again applied online, it increased it to £5,500.

RBS said it based its assessment on the turnover on Mr M's account on a monthly basis and a full credit assessment to take into account any external debt.

RBS had a responsibility to complete reasonable and proportionate checks to satisfy itself that Mr M would be able to repay the credit in a sustainable way. The checks a lender should carry out should be proportionate to the size of the lending and the cost of repayment. But we can't say that a lender should've done any particular check. Based on the information available to it, Mr M's applications met RBS' lending criteria. Banks are entitled to set that criteria using commercial judgement and I can't find that RBS acted unreasonably in applying it to Mr M's applications. But the next question I have to ask is whether it was fair for RBS to increase Mr M's overdraft based on what it knew about him through those checks? In other words, was Mr M able to afford the credit in a sustainable way?

I can see from Mr M's bank statements leading up to the increase in October 2017 that he appeared to be managing his account and overdraft without difficulty. There were occasions when he went over the approved overdraft limit but he quickly brought the balance back again. And his bank account suggests he had sufficient disposable income, after taking into consideration his relatively low essential expenditure, to be able to manage the £5,500 overdraft in a sustainable way.

There were a number of small short term loans but looking at Mr M's account overall, and his disposable income, I don't think this would've been enough for the increase in his overdraft limit to be reasonably considered unaffordable from the information available to RBS.

But Mr M thinks this credit was not only unaffordable but irresponsible and says that RBS should've taken into account his heavy gambling from the conduct of his account. I know he'll be disappointed when I tell him I don't agree.

Irresponsible lending is whether there is another reason for not giving credit over and above the affordability. A customer is entitled to spend their money how they choose, and it isn't up to a bank to monitor an individual's spending. As I've already said, Mr M met RBS's criteria for credit. And whilst there were a number of gambling transactions over the period leading up to his application for an increase in his overdraft limit, Mr M was conducting his account satisfactorily.

So even though Mr M was using money for gambling, the conduct of his account was such that I don't think RBS should reasonably have been aware that this was a problem for him. Gambling is a legitimate activity. And a bank can't refuse to lend just because a customer is using his funds in this way. There's no evidence Mr M told RBS at the time he had a problem and he wanted it to help him. So I don't think this was irresponsible lending.

I know Mr M will be disappointed with my decision but for the reasons I've given I don't think RBS has done anything wrong.

my final decision

My decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 February 2020.

Linda Freestone
ombudsman