

complaint

Mr B's mother (Mrs B) complains, on behalf of Mr B, that TSB Bank plc made her son's financial position worse by lending him more money than he needed and that it didn't do enough checks for the online loan applications.

background

Mr B applied for an £11,000 loan in branch in February 2012. He used the money to pay off another bank loan, his overdraft and his credit card. In February 2014 he borrowed £16,805 to re-finance the previous loan, pay £5,000 to another bank and £3,050 off his credit card. However, in June 2014, he consolidated further and borrowed £25,000 to again re-finance the existing loan, pay a further £7,000 to the other bank, pay money to his grandparents and reduce his overdraft. Mr B applied for the last two loans online and Mrs B says TSB should never have agreed to a series of consolidation loans and it should not have approved such high lending to a young person. She says he is now struggling to make the repayments and it's affecting his emotional well-being.

TSB says that all of the loans were used to finance existing borrowing and that Mr B had chosen the amounts he wanted to borrow and the repayment periods. It said that information from credit reference agencies was used to assess the applications and that it considered the loans to be affordable. However, it said Mr B should contact its Customer Support Unit if he was in financial difficulties.

Our adjudicator did not recommend the complaint should be upheld. He explained that Mr B was responsible for choosing how much to borrow and that he had the right to withdraw from the agreements within 14 days had he not been happy. He accepted that Mrs B considered the online process to be irresponsible lending but he found that TSB had followed its usual procedures and was not persuaded it was wrong to approve Mr B's loan applications.

Mrs B responded to say, in summary, that the online application process didn't take enough information into account, that there may be a 14-day cooling off period but the money is paid in immediately and the regulators need to change the online process as it's bad practice.

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 have looked at Mr B's loan agreements and his bank statements and I am satisfied that, in each case, Mr B did not increase his total borrowing. The money was used to pay off other debts. However, I understand Mrs B's concerns about the online applications. Although Mr B was only required to enter his employment details, the amount requested and a reason, TSB's system would have shown Mr B various options before he decided to go ahead. Indeed, TSB has confirmed that Mr B looked at the monthly repayments over four years for the latest loan before deciding on a five-year repayment period. TSB also says the system holds provisional decisions about all lending products "*based on the way the account is operated*". That includes whether the account is in credit or overdrawn, frequency of credits, lowest balance and previous payment history etc. That information, combined with the credit check, is used as the basis for the lending decision.

I acknowledge Mrs B says the online application process did not take into account other financial commitments, but Mr B would have known what they were and appears to have assessed how much he could afford to repay accordingly. I have also seen an affordability assessment that TSB has carried out and I cannot conclude the last loan was unaffordable.

With regard to the cooling off period, I accept the money is paid in immediately, but Mr B still had the right to withdraw from the agreement, with no penalty, within 14 days if he wanted to.

In summary, I am satisfied that TSB did nothing wrong in lending the money to Mr B. I acknowledge Mrs B says she thinks the online process is inadequate but, as the adjudicator explained, this service cannot force a bank to change its systems. That is the role of the regulator.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 December 2015.

Amanda Williams
ombudsman