

complaint

Mr W complains that The Royal Bank of Scotland Plc ("RBS") shouldn't have given him a loan. He says his personal circumstances meant that it was inappropriate – the bank acted irresponsibly when it granted him the loan.

background

Mr W says he contacted RBS in January 2018 to ask if it would increase his overdraft from £250 to £500. Mr W told us:

- he was in a financial predicament at this time as he'd heavily overspent and was trying to take steps to sort out his finances.
- he had a medical condition that RBS knew about but it aggressively sold him a loan of around £7,000 which has added to his difficulties and made a bad situation worse.
- the loan was unaffordable and instead of repaying his other debts, he simply spent the money. He says he should never have been given this loan and he wants the loan and the accrued interest writing off.

RBS rejected this complaint. It says Mr W contacted it to see if he could increase his overdraft. As part of its affordability checks, it established that Mr W had outstanding debts on several credit cards and a couple of loans and it offered him the opportunity to consolidate his debts at a lower rate of interest. It says he also agreed to increase his loan application by a further £250 so that he no longer needed an overdraft. RBS says Mr W passed its affordability criteria and it was able to offer him a loan of £7,650 over 26 months.

The bank disputes that Mr W simply spent the money without repaying his debts – it says just after the approved loan was paid into Mr W's account, he made four large payments; three to his credit card accounts and a fourth to another financial business with which he says he had a debt.

RBS says it didn't know about Mr W's medical condition, but as soon as he told the bank in April 2018, it placed his account on hold so that no debt recovery action would be taken and it gave him contact details for a free debt advisory service. It also refunded the interest that had been charged to the loan from the time Mr W made it aware of his personal circumstances.

Our investigator looked at this complaint and said he didn't think it should be upheld. He didn't think the bank had done anything wrong when it approved the loan for Mr W and he thought the bank had done what it needed to do when it was made aware of Mr W's health.

Mr W disagrees so the complaint comes to me to decide. He says he doesn't feel the bank tended to its duty of care when it gave him the loan because he doesn't have the capacity to be able to make sound decisions in relation to finance.

my findings

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've reached the same conclusions as the investigator, and for much the same reasons.

Mr W says that RBS shouldn't have lent him the money because of his personal circumstances and he says he told the bank about them. But he says the bank pressured him into taking out the loan. RBS says that Mr W met its affordability criteria and it didn't know about his health condition when it offered him the loan. So I've considered this very carefully.

I've been able to listen to a recording of the telephone conversation between Mr W and an RBS representative from the time when Mr W first contacted the bank to enquire about increasing his overdraft.

I'm satisfied that he initially enquired about increasing his overdraft by a further £250. But I'm also satisfied that it was right for the bank to enquire about any other debts Mr W had. And when he explained he had outstanding credit card balances and some loans attracting very high rates of interest, it wasn't wrong for RBS to ask Mr W if he had considered taking out a loan and whether that *"was something that would help you"*.

Mr W confirmed he was interested in a loan and confirmed which of his debts he'd be interested in consolidating – he didn't want to include one of his personal loans in any potential debt consolidation exercise. The bank's representative asked him if he'd like to repay his overdraft as part of the loan application, and Mr W agreed to increasing his loan application by a further £250 in order to accomplish this. So taking everything into account, I'm satisfied that the bank didn't pressure Mr W into taking out the loan.

The RBS representative then completed affordability checks to see whether the bank would lend to Mr W; how much it could offer him and over what period. Mr W confirmed he was unemployed due to a long term health problem but he confirmed his income and the source of his income and the bank representative told him which of his benefits could be used to support his loan application. RBS confirmed that it would be able to offer Mr W a loan of £7,650 over a term of 26 months with a monthly repayment of just under £360. Mr W seemed happy with this – he told the bank representative how much he'll be saving each month.

I've also noted that in lending to Mr W, RBS wasn't actually lending him new money; the entire loan was to consolidate existing debts and reduce his overall monthly payments. So, in the circumstances, I don't think that RBS would've thought this loan was unaffordable or unsuitable for him. I note Mr W's health condition wasn't discussed any further and I wouldn't expect a bank to discriminate in this way and refuse to lend to him because of that. So I don't think it did anything wrong when it lent Mr W the money.

I've considered Mr W's comments that the bank should've paid off his debts directly rather than giving him access to the loan funds because he says he simply spent the money. But I've also taken note of the fact that once the loan was credited to Mr W's account, he did use most of it to repay his credit card debts, so if he then went on to use his credit cards again that isn't something I can hold RBS responsible for.

In April 2018, Mr W contacted RBS and explained he was in financial difficulty and he provided more details about his medical condition and how it was affecting him. It was at this time that the bank put a hold on his account to stop any debt recovery action being taken and it gave him contact details for a free debt advisory service. It also refunded some of the interest that had been charged to the loan.

Banks are expected to act positively and sympathetically when dealing with customers in financial hardship, but taking into account the steps that RBS has taken, I'm happy it has done this. And I don't think that it needs to do anything more.

Taking everything into account, I don't think this complaint should be upheld. I know this isn't the decision that Mr W wants and I know he'll be disappointed by it, but I hope he understand the reason I've reached this conclusion.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to Mr W to accept or reject my decision before 6 February 2020.

Andrew Macnamara
Ombudsman