

complaint

Mr L has complained that he was granted a loan by National Westminster Bank Plc ('NatWest') that was unaffordable for him. Mr L is represented in this matter by Ms S.

background

Mr L applied for a £17,500 loan online with NatWest on 4 December 2017. The application was approved and the funds were credited to his account on 5 December 2017. The monthly repayment was around £278 per month over a term of 8 years.

In January 2018 Ms S made a complaint on Mr L's behalf. She said at the time of making the loan application Mr L was in serious financial difficulty and had substantial debts with other creditors. This included a loan he had taken from another provider around 2 weeks beforehand. Ms S said it should've been clear from Mr L's account with NatWest that he couldn't afford the loan based on his earnings and spending.

NatWest didn't agree the lending was unaffordable for Mr L. It said Mr L had told it he earned more than he did and didn't tell it about the loan he'd recently taken in his application. NatWest explained that Mr L's application had been automatically approved because he'd passed its credit checks and it couldn't be held responsible if Mr L had misrepresented his circumstances.

Unhappy with the response, Ms S referred Mr L's complaint to this service. She said NatWest had failed to explain what checks it had carried out before approving the loan. She said any check of Mr L's current account would've revealed he was frequently overdrawn and that he'd recently taken a loan with another provider. She said it was clear he couldn't afford the loan NatWest had granted.

Our investigator didn't uphold Mr L's complaint. He said that Mr L had inflated his income and hadn't given information about his outgoings other than his rent. But, NatWest had made allowances for other debts and expenditure and this showed Mr L could afford the monthly repayments. He said Mr L had passed the credit check so the loan was approved automatically. So, he didn't think the evidence demonstrated that NatWest ought to have known the loan was unaffordable for Mr L.

Ms S asked for a final decision. She said she still wasn't satisfied that NatWest had carried out appropriate checks of Mr L's account.

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'm not upholding it. I realise this will be disappointing for Mr L and Ms S.

When considering Mr L's application for a loan, NatWest had a responsibility to check Mr L could afford to repay this loan in a sustainable way. There's no set list of checks it had to carry out, but they needed to be proportionate to Mr L's particular circumstances at the time. This would usually take into account things like the monthly repayments and the term of the loan, a credit check and what Mr L had told NatWest about his income and expenditure.

It isn't in dispute that Mr L didn't give NatWest accurate information when applying for the loan. He told NatWest he earned £1,750 per month (net) when his income was actually around £1,500 per month. He also told NatWest his only outgoing was rent of £450 per month. Mr L didn't tell NatWest that he had other regular outgoings and debts. And more importantly, he didn't tell NatWest he'd taken a loan for £10,000 from another provider on 22 November 2017. It was important that Mr L told NatWest this information so that it could make a full assessment of his financial circumstances to determine whether the new loan was affordable for him.

NatWest has explained that Mr L's application was approved automatically because the information available to it showed the repayments were affordable for him and he had passed the credit check. So, no manual check of his account was carried out. But Ms S doesn't think any checks could've been done because it should've been obvious to NatWest that Mr L was in financial difficulty and his spending was unsustainable.

Having considered the evidence provided, I'm satisfied NatWest carried out appropriate and proportionate checks. I've seen evidence showing that NatWest was able to gather a clearer picture of Mr L's finances through the credit checks it completed. This revealed the additional debts he had and the repayments for these debts were factored into its assessment of the application. It also added allowances for other general spending and even when taking this into account, this showed that the repayments for the loan were affordable for him.

Ms S says that NatWest ought to have seen that Mr L had taken a loan very recently as it was credited to his NatWest account. She says had the repayments for this loan been factored in, NatWest would've known he couldn't afford the repayments for the new loan. But NatWest has told us that this loan didn't appear on Mr L's credit file when it carried out the checks. And even if manual check of his account had been carried out, it couldn't have known this was a loan. So, it wouldn't have affected the decision to grant the loan to Mr L. So, I don't think I can say NatWest should've known to take this into account.

Ms S has also said NatWest should've been aware from the activity on Mr L's account that he had a gambling problem. NatWest has explained that only if spending on gambling exceeds a particular level will it carry out manual checks for credit applications. But Mr L's spending on gambling directly from his account didn't exceed its policy limits. I've also reviewed Mr L's statements with this in mind and I'm satisfied the spending didn't exceed those limits. It's clear that after receiving the loan funds from NatWest, Mr L spent considerably more on gambling. But prior to this, his net-spend on gambling through his NatWest account was significantly less.

I appreciate that this leaves Mr L in a difficult position, but overall I'm satisfied NatWest carried out appropriate checks to ensure the loan was affordable for him. As NatWest is aware that Mr L is in financial difficulty, it should respond positively and sympathetically to this.

my final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 1 July 2018.

Hannah Wise
ombudsman