

complaint

Mr G complains TSB Bank plc lent to him irresponsibly when it loaned him money in 2013 and again in 2015. He complains the interest rates were high and this is why repayments weren't affordable and he doesn't believe affordability checks were carried out.

Mr G is being assisted in this complaint by Mr E.

background

Mr G applied for a loan from TSB in March 2013. This was to consolidate an existing loan with TSB and his overdraft and credit card debt. He was also looking to borrow extra for paying some bills and repairs to his car. He was looking to pay a similar repayment but over a longer term.

TSB carried out an affordability check and agreed to lend Mr G £14,500. This was over 84 months with an APR of 22.8% and monthly repayments of £328.61. Mr G applied for a further loan in November 2015. This was for £10,000 over 60 months with an APR of 29.9% and monthly repayments of £322.73. TSB carried out an affordability check and agreed to lend to Mr G.

Mr G made his repayments. He did contact TSB in September 2016 to request an increase in his overdraft facility as he was struggling to make repayments towards his van. TSB offered to put Mr G in touch with its customer support unit but he declined. It also refunded some charges as a gesture of goodwill. Mr G then contacted TSB again in September 2017 to cancel the direct debits towards his loans and credit cards he had with it.

He subsequently made a complaint to TSB about the high interest rates on the loans and that he didn't believe they were affordable. TSB didn't uphold his complaint. It was satisfied it had credit scored the loans and assessed their affordability and he was offered the best rate on the day applicable to his circumstances. It also said Mr G could have taken the information away before signing or asked further questions if he was unsure.

Not happy with that Mr G brought his complaint to this office. Our investigator concluded that TSB hadn't done anything wrong. She was satisfied the loans were affordable and that TSB had done affordability checks. She also found the information about the loans was clear and that TSB had tried to assist Mr G with his financial difficulties.

Mr G, via Mr E, has asked for the matter to go to an ombudsman. He said that although the loan information was clearly set out it wasn't made clear to him that other loans were available and other products may vary. Mr G still feels the loans were unaffordable and they should be written off or the interest at least written off and him enter into an arrangement for the remainder.

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 don't uphold this complaint. I explain why below.

Lenders are required to lend responsibly and ensure, as far as is reasonably possible, that any lending is affordable. Lenders will check in a variety of different ways whether or not it should lend.

I can see from the information provided that TSB did do an affordability check for the loan in 2013. This took into account Mr G's earnings and his expected new loan repayment. The loan was consolidating some of the debt he already had with TSB, including an existing loan, and to pay for car repairs. Alongside his earnings, I understand TSB also took into account a 'threshold amount' to account for household expenses. Its check showed Mr G still had disposable income after taking the new loan repayment into account.

I've also seen Mr G's bank statements from that time. Mr G did have an overdraft of £1,000 on his account, although the above loan was to be used to repay that. And around the time Mr G borrowed, he was in credit and in his overdraft on a regular basis and appeared to be managing his financial affairs. Mr G using his overdraft wouldn't preclude him from borrowing and I've seen nothing that leads me to conclude Mr G couldn't afford the loan or that TSB shouldn't have lent at the time.

Mr G borrowed again in November 2015. The records show Mr G wanted to consolidate some further debt and use the remaining proceeds for hearing aids and home improvements. The records show TSB did another affordability assessment and questioned him about his circumstances and possible changes. It took into account his earnings, the 2013 loan which wasn't being consolidated and the loan repayments. It also took into account other borrowing Mr G had – hire purchase. Again TSB took into account an amount for household expenses and Mr G still had disposable income after taking into account the new additional loan repayment.

And the bank statements from that time show Mr G in a similar situation to that in 2013. I've seen nothing from the evidence available that leads me to conclude Mr G couldn't afford the loan or that TSB shouldn't have lent.

Mr G has argued that he wasn't made aware of other options or products. I disagree. I can see from the notes that Mr G was offered a mortgage option but he declined this as he didn't want to secure the lending. And Mr G asked if the 2015 loan could be taken on a deferred basis, with repayments starting a few months later. It seems to me from this that Mr G was aware of the different options available. And of course Mr G was free to search the market place for other products and providers; TSB was under no obligation to inform him he could do this.

Mr G's situation appears to have changed and his income dropped. And I think this is the reason Mr G is now struggling to repay his loan, I'm not persuaded it's as a result of the lending itself. I'm also aware that Mr G might not have been honest with TSB about what his loans were for. The notes suggest Mr G informed a TSB branch one loan was taken for gambling.

There is nothing in the evidence available to me that would suggest TSB knew or ought to have known the borrowing was for anything other than what Mr G told them. And it lent to him in good faith. And as I'm not persuaded the lending was irresponsible or unaffordable for Mr G at the time the loans were agreed, I'm not going to ask TSB to reduce those loans in any way.

Mr G has also complained the interest rates were high. The amount a lender charges for lending is a matter for its commercial discretion and not something I would generally interfere with. The loan agreements clearly set out what rates applied to the loans Mr G applied for and what the total repayable over the term would be. Mr G was free to go elsewhere for his borrowing if he thought the rates were too high.

As Mr G is in financial difficulties I would take this opportunity to remind TSB of its obligation to treat him positively and sympathetically and that it doesn't need to wait for an account to default for discussions to be had or mutually agreeable arrangements made. And both parties will need to work together to come to any mutually agreeable arrangements.

my final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 April 2018.

Claire Hopkins
ombudsman