

Complaint

Ms S has complained about a loan Metro Bank PLC's subsidiaries ("Ratesetter") arranged for her.

Metro Bank has accepted responsibility for this complaint even though it was arranged by Ratesetter in 2019. So for ease of reference, I will refer to "Ratesetter" in this decision.

Ms S says that the loan that was arranged for her was unaffordable and therefore shouldn't have been provided bearing in mind her credit history.

Background

In February 2019, Ratesetter operated the electronic platform in relation to lending which led to Ms S being provided with a loan for £10,500.00. This loan had a 48-month term and an APR of 6.9%. This meant that the total amount to be repaid of £12,006.24, which included a loan fee of £657.30 and interest of £848.94, was due to be repaid in 48 monthly instalments of £250.13.

One of our investigators reviewed what Ms S and Ratesetter had told us. And she thought that Ratesetter hadn't done anything wrong or treated Ms S unfairly when bringing about this loan for Ms S. So she didn't recommend that Ms S' complaint be upheld.

Ms S disagreed with our investigator's assessment and asked for an ombudsman to look at her complaint.

My findings

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

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Ms S' complaint.

Having carefully thought about everything, I've decided not to uphold Ms S' complaint. I'll explain why in a little more detail.

Ratesetter needed to make sure that it didn't bring about Ms S' loan irresponsibly. In practice, what this means is that Ratesetter needed to carry out proportionate checks to be able to understand whether Ms S could make her payments in a sustainable manner before approving her loan. And if the checks Ratesetter carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

Our website sets out what we typically think about when deciding whether checks were proportionate. Generally, we think it's reasonable for pre-lending checks to be less thorough – in terms of how much information is gathered and what is done to verify that information – in the early stages of a lending relationship.

But we might think a firm needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information it had – such as a significantly impaired credit history – suggested the firm needed to know more about a prospective borrower's ability to repay what they were being lent.

Having carefully thought about everything I've been provided with, I'm not upholding Ms S' complaint. I'd like to explain why in a little more detail.

Ratesetter says it agreed to Ms S' application after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Ms S could comfortably make the repayments she was committing to. On the other hand, Ms S has said she shouldn't have been lent to.

I've carefully thought about what Ms S and Ratesetter have said.

The first thing for me to say is that this was Ms S' first loan with Ratesetter. The information provided does suggest Ms S was asked to provide some details regarding her income and expenditure and Ratesetter didn't just rely on what it was told as it carried out credit searches too.

Ratesetter has provided a copy of the credit search that it carried out and it's fair to say that Ms S' existing credit was relatively well managed. She didn't appear to have any recent late or missed payments and she was using less than a third of the available credit available to her on her revolving credit accounts.

And while I accept that Ms S might have had historic difficulties repaying credit, this didn't show up in the credit search. Furthermore, I'm satisfied that it is more likely than not that Ratesetter wasn't aware of any recent difficulties with credit or over indebtedness on the part of Miss S as nothing like this appears to be reflected in the interest rate Ms S received on this loan.

I also think that it's important for me to explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I think that Ratesetter was entitled to rely on what it had been told and what it had found out about Ms S.

As this is the case, I don't think that Ratesetter did anything wrong when bringing about Ms S' loan - it carried out proportionate checks (although I accept Ms S doesn't agree with this) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having carefully considered everything, I don't think that Ratesetter treated Ms S unfairly or unreasonably when bringing about her loan. And I'm not upholding Ms S' complaint. I appreciate this will be very disappointing for Ms S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Ms S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 11 December 2023.

Jeshen Narayanan
Ombudsman