

The complaint

Mr W says The Royal Bank of Scotland Plc (RBS) irresponsibly lent to him.

What happened

In June 2022 RBS approved Mr W's loan application. It agreed to lend him £15,000 over five years. The monthly repayments were £328.52 and the total repayable was £19,711.20.

Mr W says he took out another loan also for £15,000 at the same time and so didn't expect to be approved. He wasn't asked for pay slips or bank statements. He now has around £40,000 of debt that he cannot repay and this has severely impacted his physical and mental health leading to suicidal thoughts. He wants the debt to be written off. He is also unhappy RBS did not make clear how he could raise a complaint.

RBS says its checks showed Mr W satisfied its lending and affordability criteria.

Our investigator did not uphold Mr W's complaint. He said RBS carried out proportionate checks and made a fair lending decision based on the results.

Unhappy with this assessment Mr W asked for an ombudsman's review. He said the lending was irresponsible, RBS did not take into account his recent house purchase and it was unfair to use average outgoings when looking at affordability. He said he cannot repay this debt as he is not well enough to work.

What I've decided – and why

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

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law.

And I've considered this in deciding Mr W's complaint.

Having done so, I've decided not to uphold the complaint. I'll explain why.

There are several questions that I've thought about when deciding if RBS treated Mr W fairly and reasonably when it provided him with the loan. These include:

- 1) Did RBS complete reasonable and proportionate checks to satisfy itself that Mr W would be able to repay the loan in a sustainable way?
- 2) If not, what would reasonable and proportionate checks have shown at the time?
- 3) Ultimately, did RBS make a fair lending decision?
- 4) Did RBS act unfairly or unreasonably in some other way?

I can see that RBS considered certain information before deciding to lend. It asked about Mr W's net income, his residential status and the purpose of the loan. His current account

was held at RBS which allowed it to verify his declared income his income. It used national statistics to estimate his living costs (£926). It carried out a credit check to understand his existing credit commitments and credit history. From these checks combined RBS conclude Mr W had the disposable income to afford the loan.

I think these checks were proportionate in the circumstances of this case. Mr W argues it wasn't reasonable to use averages for his outgoings, but given the results of all other checks I think it was reasonable here – and it's my understanding that this is the approach RBS takes only when the national average is higher than any figures provided by an applicant. RBS's checks showed after taking into account Mr W's essential outgoings, including his existing credit commitments, he would have £2,368 disposable income each month. Its credit checks showed he had no other loans and only £200 of credit card debt. So his finances seemed very stable. I can find no indicators that I think meant RBS needed to do further checks.

I note Mr W had recently taken out a mortgage and another loan, and there were high value transactions from his current account that that he says ought to have led RBS to take into consideration his house buying. But Mr W did not declare any housing costs and the mortgage or second loan did not show on the credit check RBS completed due to their recency. I can only fairly expect RBS to respond to the information it had available to it. In addition, even if Mr W had declared his mortgage costs of £966.70 and other possible related costs, it seems he would still have had the disposable income to sustainably afford this loan.

It follows I do not think RBS was wrong to give this loan to Mr W.

From what Mr W has told this service it seems it was a change in his employment circumstances that meant he could no longer afford the loan. But that is not something RBS could have taken into account in its lending decision. I am sorry this has caused significant stress and worry for Mr W. I note our investigator has signposted different services that could offer support.

Mr W asked for the balance of the loan to be written off explaining he cannot currently work due to ill health; he has recently said his doctor will complete a Debt and Mental Health Form for him. I would urge him to progress this – it should be free of charge - and to then submit it to RBS. I would remind RBS of its obligation to treat Mr W fairly and with forbearance.

If Mr W is unhappy with the bank's response he can raise a new complaint with this service, after first giving the bank chance to investigate and respond.

I note RBS has already apologised for not clearly signposting its complaints process. I find this to be a reasonable and proportionate reply.

My final decision

I am not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 August 2023.

Rebecca Connelley
Ombudsman