

## **The complaint**

Mr B complains that Metro Bank PLC trading as RateSetter irresponsibly gave him a fixed sum loan agreement he couldn't afford to repay.

## **What happened**

In July 2021, Mr B applied for a fixed sum loan with RateSetter. He was given a loan for £10,000. The total repayable, including the loan fee and interest was £12,062.40. He was required to repay 48 monthly repayments of £251.30.

In November 2022, Mr B complained to RateSetter to say the loan should never have been provided to him. He said that appropriate affordability checks hadn't been completed and if they had, RateSetter would have seen the loan was unaffordable to him. RateSetter didn't think it had acted unfairly when lending to Mr B.

Our investigator didn't recommend the complaint be upheld. He thought RateSetter had completed proportionate affordability checks and there was nothing in the checks that suggested Mr B wouldn't be able to afford the borrowing.

Mr B didn't agree, so the complaint has been passed to me for a final decision.

## **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.

There isn't a set list of checks RateSetter were required to complete before lending to Mr B. The rules required it to ensure it carried out proportionate checks. What is proportionate will vary with each lending decision and takes into account things such as (but not limited to): the amount of credit, the size of the repayments, the cost of the credit, the purpose the credit was taken out for and the consumer's circumstances.

Mr B declared on the application he was self-employed and earned an annual salary of £55,000. This equated to a monthly salary of around £3,200. He said he paid rent and that he wanted the loan to consolidate existing debts. He declared these to be £3,000 of credit card debt, £5,000 for an overdraft and £2,000 in other bills.

RateSetter completed a credit check which showed that Mr B had an overdraft facility of £5,000 and a credit card with a limit of £3,000. It showed he also held a second credit card with a limit of around £1,000 although he had only utilised less than £40 of that credit. The credit check also showed a car finance agreement with monthly repayments of £432 which was being managed well.

The credit check showed indications that Mr B had been experiencing some financial difficulty throughout 2018 and 2019. However, all of those debts had since been settled and there were no signs of further payment issues since. RateSetter says it used credit reference agency data to also check Mr B's declared income and this returned no concerns. Finally,

RateSetter says it used statistical data to estimate Mr B's likely essential expenditure and it said this showed he had sufficient income to sustainably afford the new loan repayments.

Based on the checks RateSetter completed and what Mr B had declared about his circumstances, including the purpose of the loan, I think RateSetter completed proportionate affordability checks in this specific case. Having thought about what those checks showed, I've seen no reason to persuade me that RateSetter made an unfair lending decision.

I say this because there were no signs of recent financial difficulty. Mr B had a reasonable income, and the purpose of the loan was to consolidate the majority of his existing debt, meaning his overall credit commitments wouldn't increase. Mr B was also likely to be paying significantly less interest on this loan than he would have been in his overdraft and credit card that would be consolidated by this loan.

I note Mr B says that he was gambling heavily at the time and he's provided evidence of that from his bank statements. However, I've not seen anything that makes me think RateSetter either knew this or ought to have known. I don't think there was anything in the checks it did that ought to have prompted it to have done the type of thorough examination of Mr B's bank statements that would have likely led to that revelation.

Lastly, Mr B says that because he was self-employed RateSetter ought to have done more to verify his income. However, Mr B appears to accept the annual income he declared on the application was broadly accurate. And the bank statements he's provided to us for the three months prior to the lending also indicate that his income was both consistent and at the level he declared. While I accept that there may well have been some months within the year his income was lower, I don't think it would have been reasonable or proportionate for RateSetter to have sought month by month verification of his income for a much longer period. And even if it had, as Mr B's annual income was broadly what he declared, I'm not persuaded that level of check would have reasonably resulted in any different lending decision.

### **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 B to accept or reject my decision before 31 October 2023.

Tero Hiltunen  
**Ombudsman**