

## **Complaint**

Miss Z has complained about a loan TSB Bank plc ("TSB") provided to her. She says the loan was unaffordable and so shouldn't have been provided to her.

## **Background**

TSB provided Miss Z with a loan for £4,000.00 in August 2017. The loan had an APR of 23.6% and a 60-month term. This meant that the total amount to be repaid of £6,549.00, which included interest, fees and charges of £2,549.00, was due to be repaid in 60 monthly instalments of £109.15.

One of our investigators reviewed what Miss Z and TSB had told us. And she thought that TSB hadn't done anything wrong or treated her unfairly. So she didn't uphold Miss Z's complaint. Miss Z disagreed 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 Miss Z's complaint.

Having carefully considered everything, I've decided not to uphold Miss Z's complaint. I'll explain why I think that's the case in a little more detail.

TSB needed to make sure that it didn't lend irresponsibly. In practice, what this means is TSB needed to carry out proportionate checks to be able to understand whether Miss Z could afford to repay before providing this loan.

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

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

TSB provided Miss Z with a single loan for £4,000 in August 2017. The loan had an APR of 23.6% and a 60-month term. This meant that the total amount was due to be repaid in 60 monthly instalments of £109.15.

TSB says it agreed to Miss Z's application after it relied on her account activity to estimate her monthly income and expenditure. This information showed that Miss Z would be able to

make the repayments she was committing to. And TSB says, in these circumstances, it was reasonable to lend. On the other hand, Miss Z has said she was in financial difficulty.

I've carefully thought about what Miss Z and TSB have said. The first thing for me to say is that this was Miss Z's first loan with TSB. The information provided, in the form of Miss Z's TSB account statements, suggests Miss Z was receiving a salary into her TSB account up until a few weeks before this application. Given just how close the application was to when Miss Z was receiving salary credits to the account, it's difficult for me to reasonably conclude that TSB had suspicion to question whether Miss Z was working at the time.

Equally, TSB did carry out external checks and didn't simply rely on what it was told. It obtained credit scoring information which showed that Miss Z's score met its threshold at the time as well. In saying this, I do accept that the interest rate was higher than typical rates offered by mainstream lenders, although this clearly wasn't what would be termed as a high cost loan.

Bearing in mind the amount of the repayments appeared affordable and Miss Z's lack of any ongoing difficulties on her overdraft with TSB, I don't think it was unreasonable for TSB to proceed on the basis of the information it obtained as, on the face of things, it appeared to be accurate. I accept Miss Z's actual circumstances may not have been reflected in the information she may have provided and the other information TSB obtained. I know that Miss Z says she wasn't working at the time. But TSB could only make its decision based on the information it had available at the time.

Miss Z had been working shortly before the loan application and the monthly payments for this loan could reasonably be considered to be low. So while it might have been prudent to do so, nonetheless given the particular circumstances I don't think proportionate checks extended into TSB asking her to provide further information in relation to this. In my view, there was no obvious reason to whether Miss Z was in employment at the time given what the recent account activity showed.

Furthermore, even if I were to agree with our investigator and Miss Z and conclude further questions regarding Miss Z's employment were necessary here, Miss Z chose to apply for a loan at this time. As she did so and did not volunteer this information, it's difficult for me to accept that she would have declared that she was not going to be employed for a significant period if she was asked further questions about her employment situation in this instance. I say this while particularly mindful that Miss Z started working within a couple of months after – albeit as she says on a temporary basis – and probably expected to at the time of her application.

Equally it's only fair and reasonable for me to uphold a complaint in circumstances a lender did something wrong. And, in this case, I don't think that TSB did anything wrong in deciding to lend to Miss Z - it carried out reasonable checks even though Miss Z now argues that what it found out wasn't the whole story in relation to her finances.

TSB reasonably relied on this information and given its lack of history with Miss Z, I don't think it was unreasonable for TSB to provide this loan notwithstanding the fact that Miss Z may have been temporarily out of work at this stage.

So overall and having considered everything, I'm not upholding Miss Z's complaint. I appreciate this will be very disappointing for Miss Z. 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**

My final decision is that I'm not upholding Miss Z's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or reject my decision before 17 January 2024.

Jeshen Narayanan  
**Ombudsman**