

## The complaint

Mr M complains that Metro Bank PLC irresponsibly agreed loans for him.

## What happened

Metro agreed two loans for Mr M. The first was taken out in May 2021, the second in June 2022. I've summarised some of the information Metro provided about its loans in the table below.

Mr M had taken out a previous loan with a lender that is now part of Metro and I've borne this in mind and included some information about that loan in my decision. I haven't come to any conclusion about whether or not the earlier loan was irresponsibly agreed as it is the subject of another complaint with us.

	Start date	End date	Amount borrowed	Monthly payments	Loan term (months)	Total repaid
Previous	28/02/2019	5/05/2021	£2,500	£68.33	48	-
Loan 1	5/05/2021	26/09/2021	£1,350	£128.23	12	£1,437
Loan 2	29/06/2022	29/11/2022	£1,000	£43.80	24	£1,029

Mr M used some of the capital from his 2021 Metro loan to fully repay his previous loan. From the information Metro provided, Mr M met his repayments for his previous loan on time and he repaid both his Metro loans early.

Mr M complained to Metro in early 2023 that it had been irresponsible to lend to him. He said that it hadn't assessed the affordability of the loans for him before agreeing them, that he had a high level of existing debt and a poor credit score. Mr M said that the loans weren't sustainable for him as he had to take out further credit.

Metro said that it took into account the affordability of the loans, his credit score and his past credit history and other factors before agreeing to lend to Mr M. It said that he met its minimum lending criteria and so it hadn't lent irresponsibly on either occasion.

Mr M referred his complaint to us. One of our investigators looked into it and didn't recommend that it be upheld. They found that Metro's checks were reasonable and that it made fair lending decisions. Mr M didn't agree with this recommendation and asked for his complaint to come to an ombudsman for a review and it's come to me.

## 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.

I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Metro, need to abide by. Metro will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Metro needed to check that Mr M could afford to meet his repayments out of his usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and to Mr M's circumstances.

The overarching requirement was that Metro needed to pay due regard to Mr M's interests and treat him fairly. CONC 2.2.2G(1) gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my main considerations are did Metro complete reasonable and proportionate checks when assessing Mr M's applications to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did Metro make fair lending decisions?

Metro provided the information it relied on which included Mr M's applications and copies of his credit file from the time of each loan. Mr M said his salary was £60,000, in other words that he had a net monthly income of at least £3,400. Metro sense-checked what Mr M said about his income through a credit reference agency online tool. Mr M said he was paying £925 each month towards his mortgage, which was confirmed by his credit file information. Mr M's credit file also showed he owed almost £17,000 on existing debts at the time of Loan 1 and over £19,000 at the time of Loan 2. I've summarised some of the information Metro relied on in the table below.

	Income	Mortgage repayment	Existing loan repayments	Existing loan balances	Existing credit card balances
Loan 1	£3,611	£925	£451	£11,685	£5,308
Loan 2	£3,395	£925	£375	£6,349	£12,762

Mr M said that Metro should have declined his loan applications because of the level of existing debts he had. However, when Mr M applied for his first loan his existing loan repayments, along with his payment for his new loan, weren't so large relative to his means that there was an obvious risk of him not being able to meet his repayments without difficulty. There was no adverse information such as defaulted accounts or court judgements shown on his credit record. I don't think there was anything in the information Metro had about Mr M's circumstances that should have led it to automatically decline his first loan or prompted it to complete further checks before lending.

In this context and considering the amount Mr M was borrowing, I've concluded that the checks Metro carried out on this occasion were reasonable and proportionate, and it didn't do anything wrong by lending to Mr M on the basis of the information it had. Mr M repaid this first loan within a few months, paying less interest than agreed, and didn't borrow from Metro again until the following June.

I can see from Mr M's credit file that although he was repaying the loans he'd taken out, by the time he applied for his second loan from Metro his credit card balances had significantly increased. While his existing loan repayments plus his repayment for his new loan would amount to around £420 which, as before, seems affordable given his income, he would also need to pay a certain amount towards his credit card debts in order to be able to repay them within a reasonable period of time.

If Mr M was looking to take out a larger loan, it might be reasonable to consider that Metro would need to go further in its checks to ensure such a loan would be sustainable for him over the term. In this case, given the amount Mr M was borrowing, I think on balance the checks Metro carried out were proportionate and it wasn't irresponsible to lend to him on the basis of the information it had. As before, Mr M repaid this loan within five months and paid less interest than agreed.

I appreciate that this will be disappointing news for Mr M but, having considered everything carefully, I have concluded that Metro wasn't irresponsible when it lent to him in 2021 or 2022 and so I am not upholding his complaint.

### **My final decision**

For the reasons given above, I am not upholding Mr M's complaint about Metro Bank PLC and don't require it to pay him compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 October 2023.

Michelle Boundy  
**Ombudsman**