

The complaint

Mr R complains that National Westminster Bank Plc (NWB) lent irresponsibly when providing him with a personal loan.

What happened

In August 2010, Mr R applied in-branch to NWB for a graduate loan of £18,000. NWB agreed to provide the loan over a term of 120 months.

In 2020 Mr R complained to NWB that it had lent to him irresponsibly when he applied for the loan. He said he was unemployed and it was unaffordable for him at that time. NWB didn't agree and, unhappy with NWB's response, Mr R complained to us.

One of our investigators looked into the complaint and told Mr R they didn't believe NWB had lent to him irresponsibly. The investigator felt, among other things, that there wasn't enough evidence to show the lending was unaffordable for him.

Mr R didn't accept the investigator's findings. As the investigator couldn't resolve the complaint informally, it was passed to me to review afresh.

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 R's complaint.

Having done so, I don't uphold the complaint. I'll explain why.

Unfortunately, due to the length of time that's passed since Mr R took out the loan and that NWB stopped offering the product generally in 2011, the information that's still available from the sale's very limited. I think this is understandable and that this shouldn't automatically count against either party, including NWB.

As I understand it, Mr R was intending to continue his studies in 2010 after graduating from university, which is why he took out this loan. He wasn't employed and was living with his parents. On the face of it, I can see how it could appear that Mr R might have had difficulties making the monthly payments in those circumstances. However, it was a feature of this graduate loan – available, I gather, only to those studying for a legal or medical qualification – that no repayments were to be made until the 20th month of the 120-month term. The idea being this would allow Mr R time to complete his studies and defer having to start repaying the loan until he was fully qualified and in paid work.

From experience, I don't think these loan features are unusual and they seem fairly typical of the types of student and graduate loans available on the open market.

All these years later, I can't be sure what was said at the time of the sale or how the loan was presented to Mr R by NWB's staff. But I can see that the terms were set out in the loan agreement Mr R signed in August 2010. So, I'm satisfied Mr R ought broadly to have been aware of how the loan would operate.

That said, NWB had certain responsibilities to Mr R in providing the loan notwithstanding the product features I've mentioned. NWB was required to complete proportionate affordability checks prior to advancing credit to Mr R. What's considered proportionate will vary in each case as it is unique to each lending decision. In deciding how thorough a check should be, NWB needed to consider things such as (but not limited to) the amount of credit being advanced, the type of credit, the size and frequency of the repayments, the cost of the borrowing and Mr R's personal circumstances.

As I've said, I'm restricted in the information I can consider, as much of the paperwork from 2010 is simply no longer available. I can't, for example, see what if any checks NWB carried out. This makes it very difficult for me to find that NWB did anything wrong or that it should have done more in that regard. I note that Mr R says he wasn't working at the time, but I don't think that would be unusual for an applicant for a graduate loan such as this one. And no repayments needed to be made until, in theory, well after Mr R had finished his studies and started working. Which means I don't think he's lost out because of that.

I've gone on to consider what the remainder of Mr R's financial situation looked like in 2010, and what NWB might have discovered through proportionate checks made back then. But this only tells part of the story since NWB couldn't have known for sure whether the loan would continue to be affordable for him when he was due to start repaying it 20 months later. What it did know was that Mr R was eligible for the loan and that he was due to start a requisite course of studies. In any event, I haven't seen anything of major concern in the bank transactions Mr R's provided in the lead up to the loan application. They support that he wasn't working, as already discussed, but for the reasons given I don't think that has a significant bearing here given the nature of the loan and the initial deferred period.

It's impossible to say with certainty that, back in 2010, the monthly payment of around £280 would definitely have been affordable for Mr R from the 20th month of the loan. But I don't think that was an unreasonable conclusion to draw given the qualification Mr R had already gained prior to applying for the loan, and the further qualification he intended to obtain afterwards. It would have been fair for NWB to assume, in all the circumstances, that Mr R would have gone on to secure paid employment by month 20, at least to the extent that paying back £280 a month wouldn't have been a financial stretch for him.

Taking everything into account, I don't consider it was unfair for NWB to lend to Mr R as it did in 2010.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 December 2023.

Nimish Patel
Ombudsman