

The complaint

Mr L complains that National Westminster Bank Plc (NatWest) declined his application for a credit card. He says there is a problem with NatWest's application process, which caused him detriment.

What happened

In 2022, Mr L applied to NatWest for a credit card. He provided details of his self-employed earnings during the application process. NatWest declined the application because it said his income wasn't recorded accurately on the application. Mr L says it told him he could re-apply using his net monthly income as confirmed by his tax calculation (HMRC's form SA302). Mr L re-applied but this application was declined because NatWest said he needed to wait six months between applications.

Mr L complained to NatWest. He said that the information he had provided about his income was correct and that he'd presented it in the way NatWest requested on the application form. He said the information it asked for later on was different. He also said that NatWest hadn't made it clear that he would need to wait six months before re-applying. He said there's a problem with NatWest's application process and that he has suffered because of it.

NatWest explained that Mr L's application was reviewed using its normal procedures which include a credit scoring system. It said that the system is automated but declined applications can be manually reviewed by a specialist team. NatWest said that Mr L's application had been manually reviewed. It said the decision to decline his application was correct based on the income figure he had provided. NatWest said it had followed the correct process, so it didn't uphold the complaint. But it apologised for the upset this caused Mr L.

After sending its final response, NatWest sent Mr L a further letter by mistake. It apologised for the distress and concern this caused and sent Mr L a gift.

But Mr L wasn't happy with NatWest's response to the complaint and came to this service. He said the application form asked for his average net monthly income over the last three months. He said that's what he provided and the figure was correct. But, when NatWest asked for proof of his income, he said it looked at his net profit which is different. He said he provided accurate information in line with what was requested and that NatWest wasn't comparing like with like when it sought to verify the figure stated on his application.

He said he had planned to transfer a balance from an existing credit card and wasn't able to do that because NatWest declined his application. He said he incurred interest on the existing card as a result and that the situation has caused him stress and worry. He also said he has spent hours communicating with NatWest about it.

Our Investigator didn't think NatWest had done anything wrong. But Mr L didn't agree and asked for the complaint to be reviewed by an Ombudsman.

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.

It's not disputed that NatWest asked for Mr L's net monthly income (as opposed to gross income) or that he stated this as £7,000 on the application form. Mr L says he was aware that NatWest was asking for his income after tax and says that £7,000 is the correct figure. He says the issue here is the way NatWest sought to verify his income. It asked for SA302's for the last two years. It's not unusual for lenders to request this information as evidence of income for a self-employed applicant. I think it was reasonable for NatWest to do so here.

Mr L provided his most recent tax return and bank statements. He says he doesn't think he provided the SA302's, although the information I've seen suggests he did. The tax documents didn't cover the three-month period up to the application. So, they didn't cover the same period which NatWest had asked about and which Mr L had reported on at the first stage of the process. Our Investigator asked NatWest about this. It confirmed that its process for verifying self-employed income relies on SA302's or tax returns. Lenders have a duty to lend responsibly by making sure any proposed borrowing is affordable. How they go about assessing that is a matter for their own commercial judgement and it's not the role of this service to tell business how they should exercise this. But I think the approach here was reasonable, particularly as the process allows for some manual intervention.

In any event, I understand from what Mr L has said that the discrepancy between his declared income and the SA302's wasn't due to a recent increase in his income but rather because the SA302's take account of expenses which he is able to deduct when calculating his net profit.

Mr L says this means the figures were always going to be completely different. He says that, if NatWest made it clear on the application form that the income figure needed to be based on the average of the last two years' SA302 figures, he would have used those figures instead. I can understand his point of view and I don't find anything untoward in his comment. But I think it was reasonable for NatWest to use the tax documents and the income confirmed by those to make its lending decision, particularly bearing in mind its duty to ensure any lending is affordable. An income figure which doesn't take account of expenses may result in a higher borrowing potential. But I think it's reasonable for a lender to expect that income figures used for borrowing purposes will be the same as those used for tax purposes and seek to verify them in the way that NatWest did here.

NatWest says that the information Mr L provided didn't confirm an average net monthly income of £7,000. I'm satisfied it didn't. So, I think it was reasonable for NatWest to decline the application.

Mr L would have preferred NatWest to tell him at the outset what information it would need to assess his application and I can understand that this caused him some inconvenience. But NatWest says the additional information from the SA302's is only required once an application has been referred for a lending review where an applicant is self-employed. It's not requested at the outset because it won't apply to all applicants. I think that's reasonable.

Mr L also says he wasn't told he'd have to wait six months to re-apply. I haven't seen anything to suggest that NatWest did tell him this and I can understand that was frustrating for Mr L. But I don't think he suffered any significant detriment as a result.

As to the letter which NatWest sent by mistake, it sent Mr L a gift to apologise for this. I think that was fair.

In conclusion, whilst I'm sorry to disappoint Mr L, I don't think NatWest acted unfairly or unreasonably here. So, I'm not going to ask it to do anything.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 7 December 2023.

Katy Kidd
Ombudsman