

The complaint

Mr P complains that National Westminster Bank Plc lent to him irresponsibly.

What happened

Mr P applied for – and received – the following loans from NatWest:

	Date	Amount	Term	Repayment
Loan 1	19 July 2021	£2,250	60 months	£67.79
Loan 2	10 February 2022	£5,050	60 months	£143.03

Mr P says the loans should never have been agreed as they were unaffordable for him. He has mental health issues and was suffering with a psychotic episode at the time of Loan 1. His mental state around the time of each loan left him susceptible to coercion over the phone. Mr P complained to NatWest saying that it had lent to him irresponsibly.

NatWest looked into his complaint and issued a final response. It said it had followed its usual processes when assessing Mr P's applications and it was unaware of his health issues until August 2022 – after the loans had been drawn. It rejected Mr P's complaint.

Mr P was unhappy with NatWest's response, so he referred his complaint to us. One of our investigators looked into it. He said NatWest had carried out reasonable checks for Loan 1, but ought to have asked further questions for Loan 2. But our investigator felt that even if it had asked further questions for Loan 2, it would most likely still have agreed to lend to Mr P. Our investigator didn't uphold the complaint.

NatWest accepted what our investigator said, but Mr P didn't. He said, in summary, he only had a reasonable credit record because his family supported him and lent him money. He also highlighted a letter from his doctor which said he needs help with financial matters. As there was no agreement, Mr P's complaint has been passed to me for a 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.

We've set out our approach to complaints about irresponsible and unaffordable lending on our website – including the key relevant rules, guidance, good industry practice and law. I've considered this approach when deciding this complaint.

NatWest needed to carry out reasonable and proportionate checks to ensure that it didn't lend to Mr P irresponsibly. I think there are key questions I need to consider in order to decide what is fair and reasonable in the circumstances of this complaint:

- Did NatWest carry out reasonable and proportionate checks to satisfy itself that Mr P was in a position to sustainably repay the loans?
 - If not, what would reasonable and proportionate checks have shown at the

time?

- Did NatWest make fair lending decisions?
- Did NatWest act unfairly or unreasonably towards Mr P in some other way?

NatWest had to carry out reasonable and proportionate checks to satisfy itself that Mr P would be able to repay the loans sustainably. It's not about NatWest assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on him.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the loans, the amount of the monthly repayments and the overall circumstances of the borrower.

For each loan, NatWest passed Mr P's application through its usual assessment process. This entailed assessing his income and expenditure and passing his details through a credit scoring process including a search of credit reference agency data. As the applications met the bank's lending criteria, the loans were approved.

For each application, the details Mr P provided showed he had disposable income sufficient to enable him to comfortably meet the repayments to the loans he applied for. His credit file showed no other creditors, so there would have been nothing of concern to NatWest in that regard. Mr P says his credit file was good only because his family helped him out financially. There's no way NatWest could have been expected to know that at the time of the applications. His income and expenditure appeared sufficient to be able to repay the loans sustainably, so it had no reason to suspect Mr P was receiving support from elsewhere.

For Loan 1, given the amount of credit and the information NatWest had about his financial situation, I think the checks were reasonable and proportionate. I don't think anything NatWest knew or ought to have known about him would have led to a different lending decision.

However, Mr P applied for Loan 2 just seven months after Loan 1, and for more than twice the amount of money. In my view, this ought to have led NatWest to take a closer look at Mr P's finances. It might have done this by taking a closer look at his bank account for example, to get a more detailed view of his income and expenditure. Mr P held his current account with NatWest so that would have been reasonably straightforward.

If NatWest had taken a closer look at Mr P's circumstances, I'm not persuaded it would have reached a different decision. I say this because his account activity confirms the figures for income and expenditure that Mr P gave the bank during the application. His account is generally well run, and while I note he used his overdraft regularly, a lot of his expenditure was non-essential items and cash withdrawals. There's nothing which I feel ought to have led NatWest to think the loan repayments would have been unsustainable for Mr P. On balance therefore, I think NatWest reached fair decisions to lend to him.

Mr P said his health issues left him susceptible to coercion and he was suffering with a psychotic episode at the time of Loan 1. He provided a letter from his doctor written after the loans were drawn which says he needs help with financial decisions. But I've seen nothing to suggest that NatWest was aware of his health issues at the time of either application.

I can see that a note regarding his health was placed on his customer record in August 2022 – *after* the loans had been drawn. But I can't reasonably conclude NatWest acted unfairly by lending to Mr P given his health conditions, if it didn't know at the time of the applications. I've seen nothing which suggests it did.

Having carefully reviewed the information and evidence provided by both parties to this

complaint, I don't think NatWest acted unfairly towards Mr P in any other way. He's told NatWest that he is now struggling to repay Loan 2 and I've seen that it has taken steps to suspend interest while the complaint is with us.

I've seen that NatWest asked Mr P to provide details of his current income and expenditure with a view to reaching an agreement with him on a way forward. I'd encourage Mr P to continue to work with NatWest and I'd remind the bank of its obligation to treat customers in financial difficulty fairly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 October 2023.

Richard Hale
Ombudsman