

## **Complaint**

Mr P has complained about a loan Metro Bank PLC's subsidiaries ("Ratesetter") arranged for him.

Metro Bank has accepted responsibility for this complaint even though it was arranged by Ratesetter in 2019. So for ease of reference, I will refer to "Ratesetter" in this decision.

Mr P says that the loan that was arranged for him was unaffordable and therefore shouldn't have been provided.

## **Background**

In August 2019, Ratesetter operated the electronic platform in relation to lending which led to Mr P being provided with a loan for £7,500.00. This loan had a 60- month term and an APR of 18.9%. This meant that the total amount to be repaid of £11,298.00, which included a loan fee of £632.25 and interest of £3,165.75, was due to be repaid in 60 monthly instalments of £188.30.

One of our investigators reviewed what Mr P and Ratesetter had told us. And she thought that Ratesetter hadn't done anything wrong or treated Mr P unfairly when bringing about this loan for Mr P. So she didn't recommend that Mr P's complaint be upheld. Mr P disagreed and asked for an ombudsman to look at his 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 Mr P's complaint.

Having carefully thought about everything, I've decided not to uphold Mr P's complaint. I'll explain why in a little more detail.

Ratesetter needed to make sure that it didn't bring about Mr P's loan irresponsibly. In practice, what this means is that Ratesetter needed to carry out proportionate checks to be able to understand whether Mr P could make his payments in a sustainable manner before approving his loan. And if the checks Ratesetter carried out weren't sufficient, I then need to consider what reasonable and proportionate checks are likely to have shown.

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

But we might think a firm needed to do more if, for example, a borrower's income was low, the amount lent was high, or the information it had – such as a significantly impaired credit

history – suggested the firm needed to know more about a prospective borrower's ability to repay what they were being lent.

Having carefully thought about everything I've been provided with, I'm not upholding Mr P's complaint. I'd like to explain why in a little more detail.

Ratesetter says it agreed to Mr P's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. In its view, all of this information showed Mr P could comfortably make the repayments he was committing to. On the other hand, Mr P has said he shouldn't have been lent to.

I've carefully thought about what Mr P and Ratesetter have said.

The first thing for me to say is that this was Mr P's first loan with Ratesetter. The information provided does suggest Mr P was asked to provide some details regarding his income and expenditure and Ratesetter didn't just rely on what it was told as it carried out credit searches too. Ratesetter has provided a copy of the credit search that it carried out and it's fair to say that Mr P's existing credit was relatively well managed.

I'd also add that I don't agree Mr P's existing balances was in itself an indication of difficulty given his income and the fact that he stated that the purpose of this loan was debt consolidation. I accept that Mr P's actual circumstances may not have been fully reflected either in the information he provided, or the information Ratesetter obtained. However, Ratesetter could only make a reasonable decision based on the information it had available at the time.

So I'm satisfied that the proceeds of this loan could and should have been used to reduce Mr P's existing balances. And I don't think it fair and reasonable to hold Ratesetter responsible should Mr P have decided against using this loan to repay his existing balances in the way that he committed to.

I say this as this was a first loan Ratesetter was bringing about for Mr P and there wasn't a history of him obtaining funds and then failing to consolidate debts elsewhere in the way he committed to. So I'm satisfied that Ratesetter was reasonably entitled to believe that Mr P would use the loan for the stated purpose and be left in a better position.

I also think that it's important for me to explain that it's only fair and reasonable for me to uphold a complaint in circumstances where a firm did something wrong. Given the circumstances here, and the lack of obvious inconsistencies, I think that Ratesetter was entitled to rely on what it had been told and what it had found out.

As this is the case, I don't think that Ratesetter did anything wrong when bringing about Mr P's loan - it carried out proportionate checks (although I accept Mr P doesn't agree with this) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall and having carefully considered everything, I don't think that Ratesetter treated Mr P unfairly or unreasonably when bringing about his loan. And I'm not upholding Mr P's complaint. I appreciate this will be very disappointing for Mr P. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 16 October 2023.

Jeshen Narayanan  
**Ombudsman**