

## **Complaint**

Mr D has complained about a personal loan National Westminster Bank Plc (“NatWest”) provided to him. He says the loan was unaffordable and so his application should have been rejected.

## **Background**

NatWest provided Mr D with a loan for £5,000.00 in September 2019. This loan was due to be repaid in 60 monthly instalments of £141.74. One of our adjudicators reviewed what Mr D and NatWest had told us and thought that NatWest hadn’t done anything wrong or treated Mr D unfairly. Mr D 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 D’s complaint.

NatWest needed to make sure that it didn’t lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

NatWest says it agreed to Mr D’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 and Mr D’s bank statement which he was asked to provide. In its view, all of this information showed Mr D could afford to make the repayments he was committing to.

On the other hand, Mr D has said he should never have been provided with this loan because of his existing financial position.

I’ve carefully thought about what Mr D and NatWest have said.

The first thing for me to say is that NatWest does appear to have carried out credit checks. So I don’t think that this was a case of NatWest simply accepting an over-optimistic

declaration of monthly disposable income at face value. NatWest's credit searches also did show that Mr D had some existing debts. But I've not seen anything to indicate that that weren't being maintained. And Mr D's own submissions indicate that his previous credit card had been brought up to date in 2018.

Furthermore, having looked at Mr D's bank account transactions, I can't see anything obvious on them which indicated Mr D wouldn't be able to make the repayments to this loan. Indeed, they appeared to suggest that he had the disposable income to be able to make the repayments required here.

I appreciate that Mr D was overdrawn. And I'm satisfied that this is something that NatWest ought to have known about and had regard of. But even though Mr W was overdrawn, I don't think that this meant that NatWest shouldn't have lent, as Mr D could have cleared his overdraft with some of the funds from this loan – especially as it had a lower interest rate. Furthermore, if Mr W is unhappy at how long he'd been overdrawn for, this is a matter he'll have to take up with NatWest in the first instance.

I accept that Mr D says he experienced difficulty making the payments and I understand he may have been in council tax arrears at the time. I'm sorry to hear this. But I can't see how NatWest would have known about this and it could only make a reasonable decision based on the information it had available at the time. As this is the case, I don't think that NatWest did anything wrong when deciding to lend to Mr D - it carried out proportionate checks and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that NatWest treated Mr D unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr D's complaint. I appreciate this will be very disappointing for Mr D. 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 D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 14 October 2023.

Jeshen Narayanan  
**Ombudsman**