

The complaint

Mr M complains that Metro Bank PLC trading as RateSetter (“Metro”) irresponsibly arranged a loan for him.

What happened

Mr M entered into a peer-to-peer loan agreement arranged by RateSetter in February 2019. The loan amount was £2,500 to be repaid over four years at £68.33 a month. Mr M met his repayments for the loan on time.

RateSetter later became part of Metro Bank PLC and Mr M went on to take out another two loans with the bank. Mr M used some of these funds to fully repay his RateSetter loan in September 2021.

I’ve only considered the 2019 loan in this decision and haven’t made any findings or decision about whether or not Mr M’s later loans were irresponsibly agreed as these are the subject of another complaint with us.

Mr M complained to Metro in early 2023 that it had been irresponsible to facilitate his 2019 loan. He said that Metro hadn’t properly assessed the affordability of the loan for him, and that he had a high level of existing debt and a poor credit score. Mr M said that the loan wasn’t sustainable for him as he had to take out further credit.

Metro said that it took into account the affordability of the loan for Mr M, his credit score, his credit history and other factors before deciding to enter into the agreement. It said that Mr M met its minimum criteria and so it hadn’t been irresponsible in accepting his application.

Mr M referred his complaint to us. One of our investigators looked into Mr M’s complaint and didn’t recommend that it be upheld. They found that Metro’s checks were reasonable and that it made a fair decision. Mr M didn’t agree with this recommendation and asked for his complaint to come to an ombudsman for a review and it’s come to me.

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.

I’ve also had regard to the regulator’s rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which firms, such as Metro, need to abide by. Metro will be aware of these, and our approach to this type of complaint is set out on our website, so I won’t refer to the regulations in detail here but will summarise them.

Before entering into the credit agreement, Metro needed to check that Mr M could afford to meet his repayments out of his usual means for the term of the loan, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and to Mr M’s circumstances.

With this in mind, my main considerations are did Metro complete reasonable and proportionate checks when assessing Mr M's application to satisfy itself that he would be able to make his repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did Metro make a fair decision?

Metro provided the information it relied on which included Mr M's application and a copy of his credit file from the time. Mr M said his salary was £60,000 (approximately £3,500 a month net) and he was paying £925 a month towards his mortgage. Mr M's credit file showed he owed a total of £14,452 on two loans with a combined monthly repayment of £300 and his credit card balance was £4,105. There was no adverse information such as defaulted accounts or court judgements shown on Mr M's credit record. Altogether, I don't think there was anything in the information Metro had about Mr M's circumstances that should have led it to decline his application or prompted it to complete further checks before entering into the agreement.

Mr M said that he was in a cycle of unsustainable debt at that point and that Metro should have declined his loan application because of the level of existing debts he had. I've noted that Mr M's loans had been taken out in the previous six months but I don't think this alone should have raised concerns for Metro. Mr M's existing credit repayments along with his payment for this new loan weren't so large relative to his means that there was an obvious risk of him not being able to meet his repayments without difficulty. In this context and considering the amount he was borrowing, I've concluded that the checks Metro carried out on this occasion were reasonable and proportionate, and it didn't do anything wrong by entering into the agreement with Mr M on the basis of the information it had.

I appreciate that this will be disappointing news for Mr M but, having considered everything carefully, I have concluded that Metro wasn't irresponsible on this occasion. It follows that I am not upholding his complaint.

My final decision

For the reasons given above, I am not upholding Mr M's complaint about Metro Bank PLC trading as RateSetter and don't require it to pay him compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 October 2023.

Michelle Boundy
Ombudsman