

The complaint

Mr S says National Westminster Bank Plc irresponsibly lent to him.

What happened

Mr S took out a loan for £14,050 over 84 months on 3 April 2018. The monthly repayments were £230.23. Around £5,000 was used to settle an existing NatWest loan and records show the remainder was for home improvements.

Mr S says he was pressured into taking out a larger loan than he first requested, he only wanted to borrow £9,000 and this was irresponsible. After he had looked online at some options he was called by a bank employee and persuaded to increase the loan value.

NatWest has no record of this call and says the loan was sold on a non-advised basis. It says Mr S's application passed its affordability and creditworthiness checks.

Our investigator did not uphold Mr S's complaint. He said NatWest's checks were proportionate and nothing in the results ought to have concerned the bank. Without a call recording, or call notes, he explained he could not know what had been discussed between the parties about the loan value. But he pointed out that Mr S did have a 14-day cooling off period had he not wanted to proceed with the loan.

Mr S disagreed with this assessment and asked for an ombudsman's review. He said he also wanted the bank's behaviour and lack of record keeping to be taken into account..

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 lenders, such as NatWest, need to abide by. NatWest will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, NatWest needed to check that Mr S 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 NatWest carried out needed to be proportionate to the nature of the credit (the amount borrowed or the term, for example) and to Mr S's particular circumstances. The overarching requirement was that NatWest needed to pay due regard to Mr S's interests and treat him fairly. With this in mind, my main considerations are did NatWest complete reasonable and proportionate checks when assessing Mr S's loan application to satisfy itself that he would be able to make her repayments without experiencing adverse consequences? If not, what would reasonable and proportionate checks have shown and, ultimately, did NatWest make a fair lending decision? And finally, did NatWest act unfairly towards Mr S in some other way?

I have reviewed the checks NatWest carried out. It says it combined the information provided by Mr S during the application with a review of the data registered with the credit reference agencies and expenses from the Office of National Statistics. It says it also looked at how any accounts it holds (here Mr S's current account) marries up against the information provided. It asked about the purpose of the loan. From these checks combined NatWest concluded the loan would be affordable for Mr S as he had net free funds of £1,154 a month.

I think these checks were proportionate so I need to consider if NatWest made a fair lending decision based on the information it gathered. It hasn't shared all the results of its checks, for example the credit check, but Mr S submitted his credit file so I have been able to consider what NatWest most likely saw. Similarly the income and expenditure assessment it submitted is not presented in full, but as it also submitted Mr S's current account statements for the months prior to his application I can see what it had sight of at the time. And on this basis I find it made a fair lending decision.

Mr S's average monthly income (including only regular credits) from the three months prior was largely as he had declared at application (£2029 versus £2079). And his bank statements show no signs of financial strain – such as the use of payday loans, returned direct debits or the reliance on an overdraft facility. To the contrary, Mr S consistently had a credit balance typically in excess of £1,000 in the months prior to his loan application. His current credit file does show a number of defaults but these were all some time after this application – there is no indication that NatWest's check at the time would have returned any adverse data. And NatWest could see from Mr S's current account that he could afford to sustainably repay his existing debts. So in the round I think NatWest made a fair lending decision.

Did NatWest act unfairly towards Mr S in some other way?

Mr S has told us the bank pressured him to take out a higher value loan than he wanted. He remembers receiving a call after he had looked at the loans available online. We have asked NatWest to search for details of any such call and to provide either the recording, or any contact notes. But it has not been able to find any record of the call. This is not unreasonable given it was six years ago, but it means I cannot fairly comment further on this complaint point.

I don't doubt that Mr S's testimony is his honest recollection, but I have to take into account how long ago it was that he took out the loan and, as we are an evidence-based service, the lack of supporting evidence. As the investigator said, if Mr S had any concerns at the time the loan offered a 14-day cancellation period that he could have taken advantage of.

It follows I am not instructing NatWest to take any compensatory action.

My final decision

I am not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 May 2024.

Rebecca Connelley
Ombudsman