

Complaint

Mr C has complained about a credit card National Westminster Bank Plc (“NatWest”) provided to him. He says he was irresponsibly approved for a credit card with such a large limit at a time when he was already using most of the credit available to him.

Background

NatWest provided Mr C with a credit card with a limit of £3,800.00 in July 2021. The credit limit on the card has never been increased.

Mr C has also complained about an overdraft which NatWest provided him with. But we’ve already explained that we’re looking at that complaint separately and this decision is looking solely at whether NatWest acted fairly and reasonably when providing Mr C with his credit card.

One of our investigators reviewed what Mr C and NatWest had told us. And she thought NatWest hadn’t done anything wrong or treated Mr C unfairly. So she didn’t recommend that Mr C’s complaint be upheld.

Mr C 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 C’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr C’s complaint. I’ll explain why in a little more detail.

NatWest needed to make sure 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 C could afford to repay any credit it provided.

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 C's application for a credit card after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr C would be able to make the monthly repayments due on a credit limit of £3,800.00. On the other hand, Mr C says that he shouldn't have been lent to given he already had multiple credit cards and was using most of the credit available to him on them.

I've considered what the parties have said.

What's important to note is that Mr C was provided with a revolving credit facility rather than a loan. And this means that to start with NatWest was required to understand whether a credit limit of £3,800.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that a credit limit of £3,800.00 required reasonably sized monthly repayments, rather than the whole amount to be paid in one go, in order to clear the full amount owed within a reasonable period of time.

From the information provided, it looks like Mr C declared that he was employed and earning £2,100.00 a month. There isn't anything to indicate that this wasn't accurate at the time. Indeed this appears to be supported by the amount of funds Mr C was receiving into his bank account each month and this didn't suggest any inconsistency.

NatWest's credit check also did not indicate that Mr C had had any recent previous difficulties repaying credit – such as defaulted accounts or county court judgements - either. Mr C has also referred to already using most of the credit available to him. I don't know if he was. But NatWest's checks don't show this to be the case. Furthermore, while Mr C had active debt balances of around £10,500.00 at the time of the application – this wasn't excessive compared to the validated income.

Nonetheless, I do think that given the amount being lent, there is a reasonable argument for saying that it would have been reasonable and proportionate for NatWest to find out a bit more about Mr C's regular living costs before offering the credit card. That said, having considered the evidence provided, I don't think that NatWest obtaining further information on Mr C's committed regular living expenses at the time, is likely to have led it to conclude that he did not have the funds to sustainably make the repayments due.

I say this because having looked at copies of bank statements for Mr C's NatWest account, I can't see anything within them which demonstrates that obtaining further information on Mr C's living costs will have clearly shown he did not have the funds to make the monthly repayments required to clear the balance on this account within a reasonable period of time.

I accept that it's possible that Mr C's circumstances were worse than it appears in his NatWest account statements. For example, I know that Mr C has referred to activity going on in his other accounts. But I don't think that it would have been proportionate for NatWest to have carried out checks with the level of granularity Mr C is now applying to his finances at the time, considering he was being provided with a credit card with a limit of £3,800.00. This level of forensic analysis would only really be expected for much higher amounts of credit.

I also think that it would have been disproportionate for NatWest to have requested statements for multiple bank accounts in the way that Mr C is arguing it should have here. I say this particularly as (as I've explained) the information in the NatWest statements suggests that Mr C did have sufficient funds to make the required payments – irrespective of any transfers Mr C was making.

This is without even counting the savings Mr C would make as a result of the promotional interest rate for new purchases on his new NatWest credit card either. So, in these circumstances, it's difficult for me to conclude that NatWest would have found out that Mr C

would be placed in a worse position, at this time, even if it had tried to find out more about Mr C's regular living costs before taking the decision to offer him this credit card.

I also think that it is important for me to explain that it wouldn't be fair and reasonable for me to use hindsight here, or say that NatWest should have known that this card was unaffordable to Mr C, in the way he says, at the time it was making its lending decision. This is especially as the available information provided does not show me that NatWest ought to have known this.

Overall and having considered everything while I'm sorry to hear that Mr C has found making his credit card payments a struggle, I don't think that NatWest treated Mr C unfairly or unreasonably when providing him with his credit card. And I'm not upholding Mr C's complaint. I appreciate this will be very disappointing for Mr C. 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 C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 May 2024.

Jeshen Narayanan
Ombudsman