

The complaint

Miss M complains that Bank of Scotland plc (“Bank of Scotland”) lent to her irresponsibly when it provided her with a number of loans that she says she couldn’t afford.

What happened

Miss M took out five unsecured loans with Bank of Scotland during the period October 2018 to October 2022.

Miss M isn’t specific in her complaint, but she intimates that Bank of Scotland lent to her irresponsibly and unaffordably. Miss M says that she was gambling at the time she took out the loans and Bank of Scotland shouldn’t have continued to allow her to borrow more.

Our investigator didn’t think Miss M’s complaint should be upheld. Miss M disagreed, so the complaint has been passed to me to make a decision.

Miss M also complains about the provision of an overdraft facility. That complaint has been dealt with separately

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.

We’ve set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I’ve taken that into account when I have considered Miss M’s complaint.

Having done so, I have come to the same conclusion as our investigator.

Bank of Scotland needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss M could afford to repay what she was being lent in a sustainable manner.

Certain factors might point to the fact that Bank of Scotland should fairly and reasonably have done more to establish that any lending was sustainable for Miss M. These factors include things like understanding Miss M’s income, the total amount Miss M borrowed, and the length of time Miss M had been indebted.

Loans 1 and 2.

I have reviewed what our investigator found, and I cannot see any errors in his assessment. Miss M was living at home with no housing costs. She earned around £1,630 net a month. Bank of Scotland’s credit check showed no negative markers on her credit file – so she had no arrears, County Court Judgments or bankruptcies. The first loan was for £2,500 over 18 months. The second loan, taken three months later was for £1,000, also repayable over 18 months. Repayments on both combined were around £300 a month. Bank of Scotland had

assessed Miss M to have disposable income each month of around £1,100. I have seen no evidence to suggest this was not the case. On this basis, I think Bank of Scotland conducted sufficient checks and I do not think it made an unfair decision to lend to Miss M.

Loan 3.

Miss M took out her third loan in May 2019, about four months after her second loan. She used the loan to consolidate her previous two loans at a lower rate of interest. She spread the payments over a longer period. After consolidating her existing loans Miss M was left with a capital sum, too.

Bank of Scotland's checks showed largely the same information as with the first two loans. Given this was the third loan in a relatively short period I think it would have been reasonable for Bank of Scotland to consider how Miss M was managing her bank account with it, too. In the three months leading up to the loan Miss M's account appears to be well managed. Although there was a two day period where there was evidence of gambling, Miss M did so within her means, and she remained in credit.

Again, I think Bank of Scotland obtained necessary and proportionate information and I consider it acted fairly on the information it had about Miss M. I do not think it was unreasonable for it to have lent to Miss M again.

Loan 4

Loan four was taken in April 2021, nearly two years after the third loan. This time it was for a total of about £10,000, repayable over 84 months with a monthly repayment of about £208. It refinanced Miss M's existing loans and provided an additional capital sum which Miss M appears to have used to pay off external borrowing.

Again, Bank of Scotland conducted checks which raised no concern. Miss M's circumstances were largely the same. Bank of Scotland assessed Miss M's monthly disposable income to be around £800 a month, which meant Miss M had sufficient disposable income to meet the repayments (and, of course, the consolidation meant she would pay less on debt elsewhere). Miss M also had an overdraft with Bank of Scotland, which is the subject of another complaint, but Miss M appears to have been using the facility for discretionary expenditure. There was no evidence of excessive gambling.

On the basis of this information, I think Bank of Scotland conducted necessary and proportionate checks and didn't act unfairly when it provided the fourth loan.

Loan 5

This was the final loan and was taken 18 months after the fourth loan, in October 2022. It refinanced the fourth loan and provided a lump sum of £1,000. The loan repayments were now £272 a month.

The only significant change to Miss M's circumstances was that her income had increased to around £2,177 a month. Her expenses were around the same, which meant that she could comfortably afford the increased repayment from the increase in her income alone.

On the basis of this information, I think Bank of Scotland conducted necessary and proportionate checks and didn't act unfairly when it provided the fifth loan.

Miss M has explained that she had a gambling addiction. She submits that Bank of Scotland ought to have conducted sufficient checks to understand this. She says it would have been clear from her bank statements.

Having reviewed all Miss M's bank statements I can see that there are short bursts of gambling activity. But there are not sufficient transactions on her statements to suggest Bank of Scotland ought to have been alert to Miss M's difficulties. Miss M has also provided copies of some of her credit card statements from around 2017 and 2018. Again, there is some evidence of gambling, but not at a level which ought to have suggested an obvious problem to Bank of Scotland.

On balance, on the information available to me, I think Bank of Scotland conducted necessary and proportionate checks each time it lent to Miss M and I don't think it acted unfairly on the outcome of those checks

My final decision

I do not uphold Miss M's complaint. This means Bank of Scotland plc doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 9 November 2023.

Sally Allbeury
Ombudsman