

The complaint

Mr M complains that Nationwide Building Society increased the credit limit on his credit card when it should have known that he could not afford it.

What happened

Mr M had a credit card with Nationwide. Nationwide increased his credit limit in April 2012 and again in October 2015. In late 2017 he told Nationwide that he was in financial difficulty due to his gambling addiction, and so Nationwide restricted his card. He entered a debt management plan with a debt charity, but shortly afterwards he fell behind in his payments and his account was defaulted in February 2018. In December 2018 he complained that Nationwide shouldn't have increased his limit, as it should have been clear that he couldn't afford it.

Nationwide did not agree. It said it had carried out affordability checks which it described as robust, and that Mr M had passed them. It pointed out that it had also reduced his credit limit three times in 2012 and 2013. Mr M was not satisfied with this answer, and so he brought this complaint to our Service.

Our investigator did not uphold this complaint. He said Mr M had asked for both of the limit increases. He thought Nationwide had carried out adequate checks, which had included viewing his credit file. He said that Mr M hadn't told Nationwide about his financial difficulties until 2017, so it wasn't Nationwide's fault that it hadn't taken them into account earlier. On learning about them, Nationwide had restricted his account, and frozen interest and charges. Mr M asked for an ombudsman to review his case. He pointed out he'd had a large number of payday loans running up to the second limit increase.

What I've decided – and why

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Our jurisdiction is set out in rules made by the Financial Conduct Authority. These rules include time limits on bringing a complaint to our service. These say we can normally only consider a complaint if it was made within six years of the event complained of, or (if later) within three years from the date on which the complainant became aware "or ought reasonably to have become aware" that he had cause for complaint. We can still consider a late complaint if it was late as a result of exceptional circumstances.

Mr M complained to Nationwide about the limit increases more than six years after the first limit increase. I recognise that he first mentioned his financial difficulties less than six years after that, but I don't think that amounts to a complaint about the first increase, because after

that the limit had been decreased three times, to less than it had been when the account was opened. The fact that he did not complain about it earlier does not appear to be the result of exceptional circumstances. So I think that the limit increase in 2012 is not a matter I have power to consider. I have therefore considered only the second increase, in October 2015.

I have read the UK Card Association's best practice guidelines on credit card limit increases. They say that a solicited credit card limit increase should only be granted after considering a credit report from a credit reference history and at least one other check, which may be considering how the customer has managed his finances in the past. So I have considered Mr F's management of his credit card account in the period leading up to the October 2015 increase.

I have seen Mr F's credit card statements dated August, September, October and November 2015. In August he incurred a £12 late payment fee, and he exceeded his credit limit by £3.04. In September he made the minimum payment, which reduced his balance to £3,187.15 (his limit being £3,300). His October statement shows that in late September he paid more than the minimum. In late October he also paid more than the minimum, reducing his balance to £3,025, just as his credit limit was increased to £4,000. Overall, I don't think this shows that Mr M was failing to manage his account adequately.

Mr M has provided us with all three of his credit files. I have noted that he had a large number of payday loans from 2012 to September 2015. I think this would have reduced his credit score, and so this is a factor which weighs against giving him more credit. That gave me some pause for thought. But on the other hand, he paid off these loans on time. Also, payday loans have to be repaid all at once, while a credit card balance can be paid in instalments, so it should be easier to afford. So I think that by giving Mr M a credit limit increase, Nationwide might have actually helped him (or thought it was helping him) by enabling him to use his additional credit to pay off his latest payday loan and then repay his credit card balance gradually. (The payday loan repayment was £695, and the limit increase was £700.) On balance, I think this was a commercial judgement Nationwide was entitled to make, having regard to how Mr M had managed his credit card account and his payday loans.

I have also reviewed Mr M's Nationwide current account statements for January to October 2015. The account was never overdrawn and seems to have been managed well throughout that period. There is no indication of gambling debts on the current account, or on the credit card statements either, so I wouldn't expect Nationwide to have known about Mr M's gambling until he told it in 2017.

My final decision

So my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 July 2020.

Richard Wood
Ombudsman