

The complaint

S is unhappy with Nationwide Building Society, as S thinks they irresponsibly lent them £8,000 when they couldn't afford the repayments. S also says they were originally offered the loan with a 14% interest rate (or APR), but that rose to 18.9% when they completed their application in branch.

What happened

In September 2018, S applied for a loan with Nationwide to pay for a medical procedure. This was for £8,000 – to be paid back over 50 months, at around £225 each month.

The loan was reprocessed in October 2018, after Nationwide queried the monthly salary figure S had put on their application. Then a lower salary figure was applied and the loan was accepted – this happened in branch.

S was a student at the time, had only been working for three months full-time and says their income was variable.

When they applied for the loan, they say they weren't in good health and felt pressured to accept the loan as a result of the reprocessing delays – because they'd paid a deposit towards their medical procedure and the final payment date was imminent.

S is unhappy that there was no 'human consideration' when they applied and were accepted for the loan. They say Nationwide didn't ask about their health or take into account that they were a young adult – and they are in financial difficulty now and unable to make repayments.

Nationwide don't think they acted irresponsibly when agreeing to the loan. They say S met all their lending criteria – and the application showed they could afford the repayments. And there was nothing to indicate S wasn't in good health at the time.

Our investigator didn't uphold S' complaint. As S didn't agree with this, the complaint has been passed to me to review and make a decision.

I sent a provisional decision to S and Nationwide on 19 December 2019 and said I was thinking of not upholding this complaint. And I gave both parties until 6 January 2020 to provide any further comments or evidence for me to consider before I made my final decision. Neither have provided any further information for me to consider.

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. Having done that, I've decided not to uphold S' complaint.

I can see S has been through a very difficult time and is concerned about their ability to make the loan repayments. So, I think they will be disappointed by my decision. But I've explained why I think it's a fair answer below.

Did Nationwide lend irresponsibly to S?

When businesses are considering lending money to consumers, they should carry out checks to make sure they can afford the loan. And the rules businesses follow say those checks should be proportionate to things like the size of the loan, the repayments, the customer's lending history and what the business already knows about the customer.

So, I've looked at what Nationwide did and the information they would've likely reviewed when S applied for their loan.

I can see Nationwide ran checks on S' finances – including their borrowing history and the accounts they held – and this didn't highlight anything that suggested Nationwide should be concerned about lending to S.

The online application completed by S shows S would have a disposable income of £320, once their income, likely expenditure and the cost of the loan had been taken into account.

S' student account largely stayed within its agreed £1,000 overdraft limit in the six months leading up to the loan. And S' additional current account didn't drop below zero in the six months leading up to the loan.

S had an average salary of around £1,100, plus regular additional payments coming into their student account in the three months leading up to the loan. S also confirmed that they were employed on the application – and said they didn't think their salary would alter during the term of the loan.

I've thought about the fact that although S said they were full-time employed on their application, they'd had a student account since September 2017. S was borrowing £8,000, which was, arguably, a relatively large amount given they were also a young adult and applied through their student account.

But Nationwide have said a student account retains its status, until the student's course ends – unless the account holder requests an amendment or closure. So holding a student account isn't a firm indication that the account holder isn't working. And in a call between S and Nationwide from August 2019, S told Nationwide they'd intended to continue working full-time, even when they were back at university. It was only after the loan had gone through that they realised this wasn't something they could do.

I can also see that the overdraft limit on the student account increased to £2,000 in October 2018. But it isn't unusual for students to increase their overdraft when entering their second year – and it's the amount Nationwide offered as standard on this type of account. It doesn't seem like an unreasonable limit to set in S's circumstances – and I've not seen anything to suggest the overdraft was increased because S took out the loan.

So, from everything I've seen, I don't think Nationwide did anything wrong when they agreed to the loan application. It was reasonable for Nationwide to lend S the amount they did based on the information available to them.

S' health issues

If S had told Nationwide about their health issues, I don't think Nationwide would likely have declined the loan for that reason alone. Nationwide's concern might've been about S' health affecting their ability to work and make the payments – but I've already set out that it seems S had intended to keep working full-time.

Nationwide's impersonal approach to lending

S said there was '*no personal side, nuance or human consideration put into the decision to lend.*' But it's not my role to tell Nationwide what their processes should be – and it's for them to decide if they want to let their customers apply for loans online. Similarly, it was S' choice to apply in this way initially.

S did deal face-to-face with Nationwide in October when they visited the branch to get the loan finally approved. And I've heard several calls between S and Nationwide that took place after the loan was granted – they listened to what S has to say, and they were helpful and human in how they responded. While this was after the loan was sold, I think it's likely indicative of how they treated S overall – and I've not seen any evidence to suggest the opposite.

Was S quoted a lower APR?

All the evidence I've seen – including the original application, two pre-loan agreements and the loan agreement itself – shows the APR for the loan was 18.9%.

Nationwide have said S might've been given what they call a 'soft quote' before they actually applied for the loan. But there's nothing to show that's what happened in this particular case – S hasn't got anything which shows where or when they were told they would get 14%. So, I think it's more likely S was only offered APR at 18.9% – and that's the rate S accepted when they completed the loan application.

Pressure to accept the loan

S says they felt pressure to accept the loan in October 2018, as they'd already booked their medical procedure, paid a deposit and the final payment was imminently due.

But I think Nationwide were right to re-check S' salary, as the amount on the initial application was higher than the average salary being paid into S' account. And the delay between their original application and the loan being granted wasn't a lengthy one – around three weeks.

Also, S had already made some payments towards the procedure before they knew if Nationwide would grant them a loan – and that's not something we can hold against Nationwide. I've seen nothing which suggests Nationwide gave any guarantees S would get the loan.

Financial difficulties – and Nationwide's response

S has said they've been suffering financial difficulties since taking out the loan.

I know S rang Nationwide on a number of occasions to discuss their loan repayments. And I've seen Nationwide's call notes and listened to some of the calls – in February, June and August 2019.

In February 2019, S rang to check how many late payments they'd had so far and discussed what direct debits were coming into their account – and what impact any late loan payments

would have on their credit history. Missed payments in and of themselves might be an indication a borrower is having some sort of financial difficulties. But, in this case, S engaged with Nationwide and doesn't seem to have indicated they couldn't afford the repayments at that point or would have any difficulty making up any that they'd missed.

In June 2019 S stopped making payments on the loan and I've also listened to calls in June 2019 and August 2019.

During these calls, S explored their options, in particular whether they should continue to pay their premiums while our service was still investigating their complaint. Nationwide answered S' questions and – in both June and August 2019 – offered S breathing space while we investigated. This means they weren't chased for any payments until the next one was due. S also seemed happy with this option.

In the August 2019 call, the call handler explored more possible options for S – and asked a number of questions about their current situation. But I don't think S says enough to make Nationwide think S might be in imminent financial difficulty. And I think it's clear when the call ends that S has breathing space for another month – and knows they have the option to call back to discuss their options.

I can also see that Nationwide wrote to S on three occasions about arrears on their account. And Nationwide have confirmed these letters asked about any financial difficulties – and included a number that S could call to discuss any concerns they had with being able to make payments.

Overall, I think Nationwide have acted positively and sympathetically about S' financial difficulties and have remained open to providing S support. This is what we would expect – so I don't think Nationwide need to do anything more here.

But if S is still concerned about their financial situation, they can get in touch with Nationwide again to discuss it further.

My final decision

I've decided not to uphold S' complaint against Nationwide Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 2 March 2020.

Ombudsman