

The complaint

Mr M has complained that Nationwide Building Society's decision to provide him with overdraft facilities, a credit card and a number of loans when he was gambling excessively, was irresponsible.

Background

Mr M opened a current account with Nationwide in 2008. Between 2012 and 2017 Nationwide agreed to provide Mr M with a number of different forms of credit, including two overdrafts, a credit card and six loans. He has said that throughout this time he was gambling excessively and that the funds from the credit provided were used almost entirely to support his gambling addiction. Mr M believes that if Nationwide had taken a closer look at his accounts and how he was managing them, it would've been apparent that he had a serious gambling problem and that providing him with credit was irresponsible and likely to result in him getting into a worse financial position.

Nationwide has said that at the time the lending decisions were made it carried out the necessary checks to ensure that the lending was affordable. It was satisfied that it was. It said Mr M didn't tell it about his gambling addiction and it can't be held responsible for how customers choose to spend the funds provided.

One of our investigators looked into Mr M's complaint already. She found that the checks performed by Nationwide were insufficient and that there was clear evidence that Mr M was gambling heavily, relying on multiple forms of credit, both from Nationwide and other lenders, to maintain his addiction. She believed that Nationwide was aware of Mr M's problem from as early as 2012 and failed to provide him with adequate support. She found the lending decisions made by Nationwide were not only irresponsible but so harmful to Mr M that it was appropriate for Nationwide to not only refund all of the interest and charges associated with all the forms of credit it provided but also to refund 25% of the capital on four of the six loans given to Mr M during this time. She also asked that his credit file be amended to remove any adverse information linked to the overdraft, credit card and loans.

Nationwide accepted that, in this instance, it could've done more to support Mr M. While it still maintained that appropriate checks as set out by the regulator, were carried out at the time the lending was agreed, it conceded that in Mr M's case, there were missed opportunities to provide support and help prevent Mr M's financial situation becoming as difficult as it did. It agreed to the redress set out by the investigator.

Mr M didn't accept the investigator's findings as he felt that Nationwide should refund 100% of the capital on the loans. He argues he had no benefit of these funds and that Nationwide's decisions to continue lending to him at the height of his addiction resulted in his debt increasing and his overall financial problems worsening. He feels it's unfair that Nationwide would be able to 'benefit' from something it shouldn't have done.

Because Mr M disagreed with the redress proposed by the investigator he asked for an ombudsman to review the complaint again and so the case has been passed to me for consideration.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The initial opinion provided by the investigator was extremely detailed and went through each lending decision in depth. As those elements of Mr M's complaint are no longer being contested, I don't intend on repeating them in the same detail here. Instead I will focus on those elements of the complaint which are still in dispute; namely the redress proposed by the investigator.

Before I address that it's important to clarify that some parts of Mr M's complaint fell outside of our jurisdiction, and so weren't considered by the investigator. She explained she was unable to consider Nationwide's decision to open a credit card for Mr M in 2012 due to the length of time that has passed. Therefore this decision will only consider the lending decisions that took place from May 2015 onwards.

Nationwide has accepted that it failed to support Mr M as well as it could've. And that in this specific case, some of the lending decisions it made increased the overall harm Mr M experienced while he was actively gambling. Mr M has told us he hasn't gambled since 2019 and is being properly supported in his recovery; I'm pleased to hear he is doing well now.

I will address the redress proposed by the investigator under each of the various forms of credit provided by Nationwide below.

Overdraft facilities and increases:

Mr M was given two overdraft facilities on two different accounts he held with Nationwide. In May 2015 the limit on one of these was increased from £250 to £1,000. In November the second facility of £2,000 was added. In March 2017 the first overdraft limit was increased from £1,000 to £3,000. Our investigator recommended that Nationwide refund all the interest and charges associated with both overdraft facilities, and subsequent increases, from 23 May 2013 onwards.

I agree with this proposal and don't think Nationwide needs to do more than that in relation to the overdraft lending. Mr M has expressed a concern that Nationwide is benefitting from his gambling addiction, but by refunding the interest and charges associated with these lending decisions there will be no profit or benefit to the business.

I understand Mr M has said the funds provided were all used for gambling but it's likely his overdraft was used to pay for both gambling and other types of transactions. So, it wouldn't be reasonable for me to ask Nationwide to refund all of the funds provided via the overdraft as Mr M will have used these for multiple purposes.

Therefore, I think the suggested redress in regard to the overdraft facilities is enough and I won't be asking Nationwide to do any more than what has already been set out by the investigator.

Credit card limit increase October 2018:

Nationwide increased Mr M's credit card limit from £1,800 to £3,600 in October 2018. Our investigator felt that at that time there was sufficient evidence on Mr M's credit file to show that he was struggling to control his finances and already owed over £26,000 in just credit card debt to five other lenders by that time. She said the bank should rework Mr M's credit card so that all the interest charged on capital over the original £1,800 limit (which Mr M was

maintaining at the time of the increase) and charges on the credit card are removed from the date the limit was increased in October 2018.

I agree with this proposal and don't think Nationwide need to do anymore than what has already been suggested by the investigator in relation to limit increase on Mr M's credit card.

Again, by refunding the interest and charges in this way, there is no residual benefit or profit for the business in relation to the lending decision it made at this time. And Mr M did utilise the funds from his credit card for more than just gambling, so it would be unreasonable to ask the business to refund these in full.

Loans one and two:

In regard to the first two loans provided to Mr M during this time, neither Nationwide nor Mr M have been able to confirm the purpose of the first loan from 2013. Our investigator felt that as it was unclear what the funds were for so she couldn't be sure Mr M didn't benefit from them. She noted at the time he had other forms of credit elsewhere including a high cost credit loan and thought it was possible at least some of the funds were used to consolidate that debt at a cheaper rate.

However, she did believe that Nationwide were ultimately wrong in its decision to provide the loan to Mr M, even if it did benefit him by allowing him to clear more expensive debt he held elsewhere. She also said it was clear from Nationwide's own notes Mr M was struggling financially at this time and it had decided to remove his over draft facility and there was evidence of high cost loans being paid from his account.

For those reasons, she found that the lending decision was irresponsible and requested Nationwide refund all the interest and charges associated with the loan. I agree with this proposal. While I sympathise with Mr M and appreciate from his point of view all the credit he received at this time was ultimately used to fund his gambling addiction, I can't say there was no benefit to this loan as it likely helped him consolidate more expensive debt he held elsewhere. Therefore, I think it's enough to ask Nationwide to refund the interest and charges linked to the loan taken in June 2013.

The second loan Mr M applied for was in March 2015 was for a car, which Mr M has confirmed he did purchase. However, looking at his wider financial circumstances by that time, Mr M had started transferring cash from his business account to his personal account to try to mask his gambling problem. In addition to this, he also owed more than £7,000 in credit card debt, while only making the minimum monthly repayments to these cards.

Therefore, our investigator felt that even though Mr M did purchase a car, Nationwide should've been concerned that he wouldn't be able to repay the loan. She felt it was clear he was struggling to manage the debt he already had, and his gambling spending was beyond his control by this time. Therefore, she felt Nationwide's decision to provide additional lending at this time was irresponsible.

Again, I agree with the investigators findings in relation to loan two. Looking at the information that was available to Nationwide at this time, both through the accounts Mr M held with it directly, and the information on his credit file, it was clear that he was at risk of not being able to repay the loan.

The proposed redress on this loan is that Nationwide should refund all interest and charges, treating all payments as repaying the capital. I agree with that proposal and won't be asking Nationwide to refund any of the capital paid. This is because Mr M did buy a car with the loan and so did benefit from it.

Loans three to six:

In November 2015, around the same time as he had applied for the second overdraft facility, Nationwide agreed to provide Mr M with a loan for £15,000. The purpose of the loan was for debt consolidation. Having reviewed Mr M's credit file from the time it is apparent he had multiple forms of credit both with Nationwide and elsewhere and it's likely at least some of these funds were used to manage those debts.

Mr M has said that at the time of receiving these funds he did use approximately £10,000 to repay loans he had been taking from his company accounts to fund his gambling addiction. Our investigator found that if Nationwide had reviewed Mr M's accounts at the time of this application it would've been apparent the impact his addiction was having and the severity of the problems it was causing him. For this reason, she recommended that the business not only refund the interest and charges it applied to the loan repayments but also 25% of the capital borrowed as well.

Mr M has said the business should refund the entire capital amount because at this stage all of the credit he was receiving was being used exclusively to fund his gambling habit and as such he had no benefit from the funds whatsoever.

While I appreciate why Mr M feels as strongly as he does about this point, I am unable to ask the business to refund the entire amount. By this stage Mr M was borrowing heavily from his business and was also receiving credit from other providers. Mr M has explained that the funds he was moving around between his personal and business accounts were essentially being used to mask the damage being caused by his addiction. However, the majority of this loan was used to repay the monies he had taken from his business account. I know this is akin to a 'robbing Peter to pay Paul' scenario from Mr M's point of view but the funds from this loan were beneficial insofar as they returned the money missing from his business. So it wouldn't be reasonable to ask Nationwide to refund the entire capital amount and I agree the 25% capital refund suggested by the investigator is fair in the circumstances.

The following March, just four months after receiving the £15,000 loan, Mr M applied for, and was granted, another loan for £10,000. Again, the purpose of this loan was stated as debt consolidation. Nationwide approved the loan, despite the fact that the previous loan had also been for debt consolidation. Only basic checks were carried out even though it was apparent at this time Mr M's financial problems were spiralling.

It appears that approximately half the funds were used to clear existing debt, including the overdrafts that sat on his Nationwide accounts. Our investigator was unable to trace what the rest of the funds were used for, although it seems likely that the funds were gambled by Mr M.

In regard to this loan, the redress set out by our investigator is that Nationwide refund all interest and charges and 25% of the capital. I agree this is a reasonable suggestion. As with the above loan, Mr M did use some of it to clear the existing debt and the rest was likely gambled. However, as with the loan above it would be untrue to say there was no benefit at all in regard to this credit. Mr M was able to reduce the overall cost of the debt he had incurred by this time and it would be unreasonable to expect Nationwide to refund the entire capital amount for that reason.

The final two loans were provided to Mr M by Nationwide in March 2017 and January 2018. The first one was for £7,500 and the second for £18,250.

It is important to remember that at the same time Mr M was applying for these loans, Nationwide were simultaneously providing him with other forms of credit via his overdraft

facilities and credit card. In addition, Mr M was borrowing from other credit providers as well. This made the decision to grant these two loans not only irresponsible but almost reckless on the part of Nationwide.

Again, the declared purpose of the £7,500 loan in March 2017 and the £18,250 loan 10 months later, was debt consolidation. This was an honest submission by Mr M as the proceeds of both loans were used to cover debt he was incurring due to his addiction. There is no doubt that had Nationwide carried out sufficient checks on his accounts, or indeed referred to the notes from its own previous internal audits of his accounts, both of these loans would've been refused on the basis that they weren't sustainable. However, insufficient checks were run by Nationwide and so the loans were approved, and the funds released to Mr M.

Looking at Mr M's account statements from March 2017 I can see that the funds from the £7,500 were used to clear the overdraft balance (the limit of which was increased the same month) and debt from external credit cards. The rest was gambled away.

The later, larger loan, in January 2018, was primarily used to clear other debt, including repaying loans back to his business and a substantial payment to HMRC. There were also some payments to some of his credit cards and the remaining funds were lost gambling.

As with the previous redress recommended by our investigator, she suggested all interest and charges be refunded to Mr M as well as 25% of the capital of both loans. I think this is fair and I'm not going to increase the amount of capital Nationwide has been asked to refund or write off. This is because, as with the other loans, Mr M did 'benefit' from the funds insofar as they helped reduce the overall debt he had at the time.

It is important to understand that Nationwide wasn't the only lender providing Mr M with credit at this time and so not all of his debt sat with it. I know Mr M believes that all of the debt was gambling related and each form of credit he was provided with, enabled him to increase the overall debt he was in. He has said that Nationwide was the main credit provider and the place where he held all of his accounts. Therefore he feels it owed him a higher duty of care than the other providers did. However, I have to acknowledge the part played by both parties in relation to this debt. And I can't fairly say the debt he amassed during this time was entirely the fault of Nationwide.

So, having taken everything Mr M has told us into consideration, and with a clear understanding of the impact the lending decisions made by Nationwide had on him, I agree with the redress as set out by our investigator and I'm not going to ask Nationwide to do any more than has already been recommended.

I know Mr M will be disappointed by this, but I hope he understands why I have reached the outcome I have.

Putting things right:

In order to put things right Nationwide Building Society must:

The overdraft limit increases:

- Rework the account ending in 990 so that all interest, fees and charges applied to it from 23 May 2013 (being six years prior to Mr M's initial complaint) onwards are removed
- Rework the account ending in 1555 so that all interest, fees and charges applied to it are removed

- Remove all adverse entries relating to the overdrafts from Mr M's credit file from 23 May 2013 onwards

The loans:

From what I can see loans one to five have been repaid in full while loan six remains outstanding.

With this in mind, I recommend that Nationwide:

- Regarding loans 1 and 2 by refund all interest and charges and treat all payments as repaying the capital
- Regarding loan 3 by refund 25% of the capital, refund all interest and charges and treat all payments as repaying the capital
- Regarding loan 4 by refund 25% of the capital, refund all interest and charges and treat all payments as repaying the capital
- Regarding loan 5 by refund 25% of the capital, refund all interest and charges and treat all payments as repaying the capital
- Rework loan 6 by writing off 25% of the capital, waive all interest and charges and treat all payments as repaying the capital
 - If reworking the loans leaves capital outstanding, then Nationwide should work with Mr M to agree a sustainable repayment plan, bearing in mind their obligation to treat him positively and sympathetically
 - Remove all adverse information from Mr M's credit file in relation to all loans

The credit card:

- Rework the account so that all interest charged on capital over £1,800 and charges on the credit card are removed from the date the limit was increased in October 2018 onwards
 - If reworking the account results in Mr M having overpaid on the amount borrowed, Nationwide should refund this with 8% simple interest* calculated on the overpayments from the date they were made till the date of settlement
- Remove any adverse information from Mr M's credit file in relation to the credit Card

**If Nationwide Building Society considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr M how much it's taken off. It should also give Mr M a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

For the reasons set out above I uphold Mr M's complaint against Nationwide Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 December 2021.

Karen Hanlon
Ombudsman