

## **The complaint**

Mrs W complains Nationwide Building Society agreed to lend her money on a credit card when this was irresponsible and unaffordable.

## **What happened**

In July 2015, Mrs W visited a Nationwide branch to open a second current account. She wanted to do this to help her manage her finances. During the meeting, Mrs W was offered an overdraft facility and a credit card with a limit of £7,000.

This complaint concerns only Nationwide's decision to give Mrs W the credit card. Mrs W suffers from a number of mental health conditions.

In December 2019, Mrs W complained to Nationwide that they had been irresponsible by offering her the credit card because she was vulnerable and couldn't afford to repay the debt.

Nationwide responded to Mrs W's complaint. They said, at the time, their checks showed Mrs W was eligible for the credit card but it was her decision whether to accept it. As Mrs W had accepted the credit card and its terms and conditions, they didn't think they'd done anything wrong.

Our Investigator considered Mrs W's concerns. He said, in summary, he didn't think Nationwide had carried out sufficient checks during Mrs W's application for the credit card and so he felt they agreed to provide the credit when it was unaffordable. To put things right, he recommended Nationwide:

- Refund interest and charges applied to Mrs W's account.
- Should check for periods when Mrs W's payments would have been enough to clear the balance. And if so, they should pay 8% interest on any periods where she would've been in credit.
- Remove any adverse information about the credit card account from Mrs W's credit file.
- Pay Mrs W £100 in recognition of the distress and inconvenience she'd been caused by Nationwide's decision to agree the credit card when it wasn't affordable.

Nationwide didn't agree with the Investigator's view. They said they had based their decision to lend on what Mrs W had told them in her application and the credit check they did at the time.

Mrs W didn't agree with the Investigator's view. She wanted the outstanding balance on the credit card to be written off. Our Investigator asked Nationwide if they'd be willing to do this as a gesture of goodwill, but they said no.

As both parties didn't agree, the case was passed to me to decide. I issued a provisional decision setting out what I thought. I've set out those findings again below and they form part of this decision.

### ***Provisional Findings***

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

*Nationwide had an obligation, when considering whether to offer Mrs W the credit card, to conduct reasonable and proportionate checks to ensure she could afford to repay the borrowing sustainably.*

*Proportionate checks can vary – but generally we'd expect a business to satisfy themselves that the customer can afford to repay the loan in a sustainable way. So first I need to consider if Nationwide completed reasonable and proportionate checks to satisfy themselves that Mrs W would be able to repay what she borrowed on the credit card in a sustainable way.*

*The application form completed at the time shows Mrs W was noted as being employed, with a yearly salary of about £35,000. But the application also notes Mrs W's occupation as "Home Maker". I find this a clear contradiction in the application data and one Nationwide should have noted at the time.*

*Mrs W's actual circumstances at the time of the application were; she was not working, was in receipt of benefits and taking care of her two children. Mrs W had been discharged from bankruptcy in 2011 and has told us, because of that, she was very reluctant to take out further credit and that wasn't purpose of her visit to Nationwide in July 2015.*

*Mrs W already banked with Nationwide – so they would've been able to see, with relative ease, that Mrs W wasn't receiving a salary at all. And if they had, I think this would've prompted them to ask further questions about this since the application indicated she was. Nationwide said they based their decision on the information in the application and a credit check. As I've just explained, the information on the application itself was contradictory and Mrs W already banked with Nationwide, so they could and should have taken steps to verify the income stated on the application. But they didn't. So, I find Nationwide failed to conduct reasonable and proportionate checks.*

*Nationwide says the employment information was provided by Mrs W. And that, it's unlikely to have been entered in error by their employee. Mrs W says she told Nationwide at the time her income was made up of mainly health related benefits for her children – and that she had previously been declared bankrupt. While it's not clear how the wrong information ended up on the application, I don't think this matters because I've found Nationwide should've carried out further checks and if they had, they would've discovered the information was incorrect.*

*Having decided Nationwide didn't conduct proper checks, I must consider, if Nationwide had done proportionate checks, would that have shown Mrs W couldn't afford the credit card.*

*I've seen a copy of Mrs W's credit file. This shows she had one other small loan which had been taken in April 2015, about three months prior to her visit to Nationwide. And although the information about Mrs W's bankruptcy has dropped off her credit file now, in 2015 it would've been there for Nationwide to see. Mrs W is particularly concerned that Nationwide agreed to lend to her despite her having been discharged from bankruptcy. But as our*

*Investigator explained, although we'd expect a lender to take this into account – it wouldn't necessarily mean Nationwide shouldn't have lent to her.*

*I've got statements for Mrs W's current account with Nationwide for the three months prior to the application for the credit card. These show, while always in credit, Mrs W's balance drops as low as £154.67 in May 2015 and £197.25 in June 2015.*

*Nationwide says they based their decision that Mrs W could afford to repay the borrowing on an assumption the £7,000 would be drawn down immediately and repaid over two years at £292 per month. They say based on the salary in the application of about £35,000 this would've been affordable. But as Mrs W wasn't earning £35,000, I don't think this calculation is relevant. And her statements show her current account balance regularly dipping below £292 in the months leading up to application. I must also consider that, on the same day this credit card was approved for Mrs W, Nationwide also agreed an overdraft for her - with a limit of £2,250.*

*Based on what I've seen, it seems unlikely Mrs W could have afforded to sustainably repay the debt based on her actual circumstances and on top of the overdraft Nationwide had agreed at the same time.*

*So I find Nationwide's decision to give Mrs W a credit card with a limit of £7,000 unaffordable in the circumstances.*

*Mrs W feels the amount of the credit isn't relevant to the outcome of the complaint and that if Nationwide hasn't followed the correct process when they granted her lending, then everything she borrowed should be written off. But I don't think that would be fair and reasonable in all the circumstances of her case, because she has had the benefit of the money she borrowed.*

*As Mrs W knows, our Investigator asked Nationwide if they'd be willing to write off the debt. They said they'd be willing to consider a potential write off if Mrs W provided updated details of her current financial circumstances, but Mrs W didn't want to do that. That's her choice, but I don't think it was unreasonable for Nationwide to ask her for this information in order to assess whether they now want to write off the debt.*

*Our investigator recommended any adverse information about Mrs W's credit card account should be removed from her credit file. And that is what we'd normally expect a lender to do when we're upholding a case on the basis of irresponsible or unaffordable lending. However, I don't think that doing this would be the fair and reasonable thing to do here given the basis of Mrs W's complaint is that she is vulnerable and struggles with managing her finances.*

*This is, in part, a measure to protect Mrs W and also potential future lenders – who will be able to see how she's managed the debts she's taken on. So I think it's fair that Nationwide update Mrs W's credit file if, having completed the steps below, it results in times when adverse information wouldn't have been recorded – but I don't plan to require them to remove all adverse information about the account.*

*Finally, our Investigator recommended Nationwide pay Mrs W £100 in recognition of the distress and inconvenience caused by their decision to grant the credit card. Mrs W has told us that she's vulnerable and struggles with managing her finances and that the situation with Nationwide has worsened the symptoms of her mental health conditions. Because of this, I think a payment of £200 in recognition of the impact Nationwide's error had on Mrs W is fair.*

## **Responses to my provisional decision**

Mrs W says she doesn't think my recommendations about what Nationwide should do in this case go far enough to put this right. In summary, she said this was because:

- Although I had said she had benefitted from the money she'd borrowed – Mrs W doesn't agree that she did. She said the lending had only been a detriment to her.
- Mrs W maintains that her vulnerability means the credit card shouldn't have been agreed and because of that, the debt should now be written off.
- Mrs W felt that we should tell Nationwide to write off the debt because we had ordered another financial business in another case to do so, in circumstances which Mrs W felt were similar to hers.

Nationwide responded to say they had nothing further to add.

## **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.

I understand why Mrs W might not feel that she benefitted from the money borrowed on the credit card. But I still feel she did. By this I mean Mrs W spent some money on the credit card on goods and services. And it's this she's had the benefit of – rather than lending itself being a direct benefit to her. I agree that the lending decision itself has caused her detriment and that she was vulnerable and this is reflected in my decision to require Nationwide to refund all interest and charges on Mrs W's credit card account and pay Mrs W compensation. But I still don't think it would be fair and reasonable in all the circumstances to require Nationwide to write off the money Mrs W spent on the credit card.

I set out that I intended to increase the compensation Nationwide should pay Mrs W in recognition of the impact the lending decision had on her. I've reconsidered, in light of Mrs W's comments whether £200 is fair and reasonable. Having done so, I'm satisfied this amount fairly reflects the distress and inconvenience Mrs W has been caused as a result of decision to lend to her along with the other steps I'm requiring Nationwide to take.

Mrs W also felt that, based on another Ombudsman's decision in another case, her debt should be written off as we had directed the financial business to do so there. We deal with individual cases on their own merits so while I've taken into account Mrs W's comments I'm satisfied for the reasons I've already explained what I'm requiring Nationwide to do is fair and reasonable in all the circumstances of her case.

Finally, Mrs W made the point that she didn't intend to take out credit. I accept that wasn't the purpose of Mrs W's visit to the branch on the day this credit card was taken. But, ultimately she did agree to take the credit card and so I don't think this makes a difference to the outcome of her complaint.

## **Putting things right**

To put things right, I require Nationwide Building Society to:

- Refund interest and charges applied to Mrs W's account. Any refund should be applied to reduce Mrs W's outstanding balance.
- Check for any periods when Mrs W's payment would have been enough to clear her balance, and if this is the case, they should pay 8% simple interest to Mrs W on any

periods she would have been in credit up until the date she would have owed money on her credit card again.

- Having completed this calculation, if there are times Nationwide wouldn't have recorded adverse information on Mrs W's credit file, then they should make arrangements to update this with the credit reference agencies to show no adverse data.
- Pay Mrs W £200 in recognition of the distress and inconvenience she's been caused.

### **My final decision**

For the reasons explained above, I uphold Mrs W's complaint and require Nationwide Building Society to take the steps set out above under "Putting things right".

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 8 April 2022.

Eleanor Rippengale  
**Ombudsman**