

The complaint

Mrs W complains Nationwide Building Society agreed to lend her money via an overdraft on her current account 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 of £2,250 and a credit card with a limit of £7,000.

Later the same day Mrs W was granted a £500 overdraft on her other current account with Nationwide. This application was made online.

This complaint concerns only Nationwide's decision to give Mrs W the overdrafts. 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 overdraft 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 overdraft, but it was her decision whether to accept it. As Mrs W had accepted the overdraft 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 £2,250 overdraft, but having considered Mrs W's financial circumstances at the time – he concluded it was likely Mrs W could afford to sustainably repay this overdraft.

But he didn't think Nationwide should've agreed to provide Mrs W with the £500 overdraft on her other account. To put things right, he recommended Nationwide:

- Refund interest and charges applied to Mrs W's account with the £500 overdraft.
- If this resulted in an outstanding balance, Nationwide should arrange a suitable repayment plan with Mrs W.
- If the refund of interest and charges resulted in there no longer being an outstanding balance, the additional funds should be paid to Mrs W and Nationwide should pay interest on this amount from the point Mrs W would've been in credit on her account at a rate of 8%.
- Remove any adverse information about the £500 overdraft on this account from Mrs W's credit file.

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 both overdrafts be written off. Our Investigator asked Nationwide if they'd be willing to do this as a gesture of goodwill. They said they could consider a write off if Mrs W provided up to date income and expenditure details. Mrs W said she didn't want to do that.

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 overdrafts, 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 borrowing 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 overdrafts in a sustainable way.

The £2,250 Overdraft

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 about her bankruptcy. 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.

So now I must consider, if Nationwide had done proportionate checks, would that have shown Mrs W couldn't afford the £2,250 overdraft.

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 her 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.

Having considered Mrs W's statements and income and expenditure information, it seems she had some disposable income and so I think it's likely she could've afforded to repay the overdraft in a sustainable way.

Mrs W also says Nationwide shouldn't have agreed this overdraft facility (or any of the lending they gave her) because she was vulnerable. Based on what Mrs W has told us, I agree that she was. I say this because, at the time, a close relative (who was often a source of financial support to Mrs W) was receiving palliative care for a terminal illness and because of what Mrs W has told us about her own health.

It's clear from what Mrs W has told us she told Nationwide she didn't want an overdraft initially, but later agreed to accept it as "safety net". And although Mrs W has told us about her own health issues – it's not clear how much of this was disclosed to Nationwide at the time of the application. And, even if it was, on its own I don't think this is a reason Nationwide shouldn't have agreed to lend to her.

Although Nationwide didn't conduct proportionate checks, if they had, I don't think this would've shown that the £2,250 overdraft was unaffordable. So I don't intend to uphold this part of Mrs W's complaint.

The £500 Overdraft

This application was made by Mrs W later the same day but online, after she'd left her meeting at the branch. So after Nationwide had already agreed to lend Mrs W £2,250 via an overdraft and £7,000 on a credit card.

Mrs W has said, based on what Nationwide had told her about the other credit offered that day, her mindset had changed and she now felt it would be a good idea to have an overdraft on her other account.

I've already explained why I don't think Nationwide conducted proportionate checks in relation to the first overdraft. And having reviewed the information related to checks they did for the £500 overdraft, I've reached the same conclusion for the same reasons.

I've also already explained what Mrs W's financial circumstances were at the time of the application.

On this day Nationwide granted Mrs W three different pieces of credit. The first was the initial overdraft of £2,250 which as I've explained above, I think was fair. Following this, they then granted a credit card with a limit of £7,000 - I've addressed that in a separate decision, but found it wasn't lent fairly. Then a second overdraft for £500 was granted.

At this time, Nationwide had already advanced £9,250 worth of credit - of which I don't think £7,000 was fair, so it follows I don't think the further borrowing, after this, of £500 was fair either. This is because Mrs W wouldn't have been able to repay it in a sustainable way – taking into account the borrowing she already had at the point this lending was granted. So I intend to uphold this part of Mrs W's complaint.

As Mrs W knows, our Investigator asked Nationwide if they'd be willing to write her off debt (even though we weren't recommending they did so). 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 £500 overdraft 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 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.

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 things right. In summary, she said this was because:

- As I have found Nationwide did not conduct proportionate checks in relation to the £2,250 overdraft, this means Mrs W's complaint about this lending should be upheld. She feels I've acknowledged that they did something wrong but have not instructed them to do anything to put things right.
- Mrs W felt I had not considered what she'd told us about her vulnerabilities and bankruptcy in conjunction with Nationwide's failure to conduct proportionate checks.
- Mrs W considers all the lending offered to her on this occasion, the two overdraft facilities and the credit card – as one single offer of credit.
- Mrs W maintains that her vulnerability means both overdrafts 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 received the provisional decision but didn't add any further comments.

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.

As I explained in my provisional decision, as I had found Nationwide did not conduct proportionate checks – I then had to consider whether if they had done the appropriate

checks this would've shown that Mrs W couldn't afford the £2,250 overdraft and therefore whether this would have made a difference to Mrs W's overall position. And having considered this, I concluded that, in respect of the £2,250 overdraft, this was likely affordable for Mrs W and I didn't consider it was irresponsible to have agreed this because of her vulnerabilities and earlier bankruptcy for the reasons I explained. But I didn't think the £500 overdraft should've been agreed.

I understand why Mrs W feels this was a single offer of credit to her from Nationwide. But, in fact there were three separate credit applications (and three lending decisions) across three different accounts which is why we've considered each application in turn. Again, I explained in my provisional decision that these lending decisions were all made on the same day and that I had taken this into account in reaching my decision.

Having re-considered everything in light of Mrs W's comments, I still think the £2,250 overdraft was not unaffordable or irresponsible for the same reasons I set out in my provisional decision. Because of this, I'm not requiring Nationwide to take any steps in respect of this overdraft.

I also still find that the £500 overdraft shouldn't have been agreed by Nationwide. I understand why Mrs W might not feel that she benefitted from the money borrowed on this overdraft. But I still feel she did. By this I mean Mrs W used the overdraft to spend 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 this overdraft. 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 £500 overdraft.

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 these overdrafts were taken. But, ultimately she did agree to take the overdrafts 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 with the £500 overdraft.
- If this results in an outstanding balance, Nationwide should arrange a suitable repayment plan with Mrs W.
- If the refund of interest and charges resulted in there no longer being an outstanding balance, any additional funds should be paid to Mrs W and Nationwide should pay interest on this amount from the point Mrs W would've been in credit on her account at a rate of 8%. Any interest should be paid to Mrs W.
- 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 remove the

adverse data.

My final decision

For the reasons explained above, I partially 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