

## **The complaint**

Mr H complains that Nationwide Building Society ('Nationwide') lent irresponsibly to him by providing him with a credit card.

## **What happened**

On or around 9 August 2016, Mr H applied for a credit card with Nationwide. His application was accepted, and Nationwide agreed a credit limit of £2,000.

Sometime later, Mr H complained to Nationwide that it had lent to him irresponsibly by giving him a credit card. On 5 May 2021, Nationwide issued a final response letter in which it rejected the complaint. It said before it agreed Mr H's credit card, it would have undertaken various checks, including how Mr H conducted his other Nationwide accounts.

Mr H did not agree with Nationwide's decision and so he complained to this service. He said that when Nationwide agreed his credit card, he was in a persistent cycle of short-term high cost debt. He told us his borrowing was high in relation to his income. He also said his Nationwide current account statements would have shown frequent gambling transactions.

In response to our investigator's request for further information, Nationwide said that it had not taken account of Mr H's current account transactions in detail. It said it had considered the performance of Mr H's account in general, notably whether there were any arrears or missed payments.

Our investigator ultimately thought the complaint should be upheld. She said that in the months immediately before Mr H's credit card was agreed, most of the activity on his account was in respect of gambling transactions. She noted Mr H had taken out a number of 'payday loans'.

Our investigator sent her view to Nationwide on 3 May 2022. Nationwide did not respond substantively to our investigator's view. Instead, it sent what are effectively several holding emails indicating each time that it would respond within a further two weeks.

In its most recent email, Nationwide told our investigator it would respond by 12 August 2022. I asked our investigator to set a final deadline for response of 4pm on that day. No further correspondence has been received and so the matter has been passed to me to make a final decision.

## **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 said above, Nationwide did not substantively respond to our investigator's view, which was issued on 3 May 2022. On 15 June 2022, our investigator told Nationwide the matter would be passed to an ombudsman and provided a deadline to respond of 29 June 2022. Nationwide indicated it would respond but did not do so. There was no reply to the final deadline of 4pm on 12 August 2022.

I am satisfied there has been sufficient time for Nationwide to reply substantively. No reason has been provided for its lack of response. There is sufficient information already on the file

for me to make a final decision and so I have decided to proceed without a substantive response from Nationwide.

I have decided to uphold Mr H's complaint. I'll explain why below.

Nationwide is required to lend responsibly. What that means in practice is it should have checked Mr H could affordably and sustainably repay the borrowing. These checks should have been proportionate. That means the factors Nationwide should have considered in Mr H's case would depend on a number of things, such as: what it knew about him and how he managed his accounts, his overall credit limit, and how much he would have to repay each month towards the borrowing (including additional interest and charges). There is no set list of checks Nationwide had to do.

Nationwide said it undertook a credit check, which showed that Mr H had £1,900 of unsecured debt at the time he applied for the credit card. It said that the borrowing appeared to be affordable when compared to his annual salary. Nationwide identified no adverse credit information and said Mr H did not have any county court judgments.

In its final response letter, Nationwide said that when deciding whether to lend to Mr H, it had considered how he conducted his other Nationwide accounts. However, in its response to our investigator, it said it had not considered his Nationwide current account in detail. Instead, it had looked at whether there were any arrears or missed payments.

The question for me is whether the checks Nationwide undertook were proportionate. Whilst Nationwide says it didn't check Mr H's current account in detail, it was both his current account provider and the prospective lender in respect of the credit card. I think it is reasonable to say it would and should have been aware of how he conducted that account.

That means I think Nationwide should have known Mr H's account was consistently overdrawn. In the three months immediately before the credit card application, Mr H incurred fees for exceeding his agreed overdraft limit. And he'd also had direct debits returned because there were insufficient funds. That means I think Nationwide should have undertaken further checks to see whether Mr H could afford and sustainably repay any additional borrowing.

Mr H had his main current account with Nationwide. I'm satisfied it would have been proportionate for Nationwide to have looked more closely at how Mr H was managing that account. Had it done so, I think it would have concluded that additional borrowing was not affordable for Mr H and that he would not be able to sustainably make credit card repayments.

I say this because Mr H's outgoings regularly exceeded his income. In the three months before he applied for the credit card, his monthly take-home pay was approximately between £1,200 and £1,250. His short-term and payday loan repayments were numerous and varied between £400 and £600 in total per month. In June 2016, he made repayments to at least nine separate payday loan or short-term lenders.

Most of the transactions on Mr H's current account statements related to gambling. In each of the three months prior to the credit card application, those transactions were significantly greater than his take-home pay. And in the two-week period before Mr H applied for the credit card, he spent in the region of £8,000 on gambling transactions.

It follows then that Mr H's regular outgoings each month substantially exceeded his income. He was using his overdraft most of the time. I appreciate that Mr H did largely keep within his overdraft limit and that he has largely made his contractual payments to the credit card. But it appears he did so only using payday loans and relying on gambling returns, neither of which indicate that his ability to repay credit card borrowing was sustainable.

Nationwide said it couldn't make judgements as to how Mr H used his money. But the issue in this case is not the nature of the transactions Mr H made. It is simply that his regular outgoings were substantially more than his regular income.

I am satisfied that it would have been proportionate for Nationwide to look at what it knew about how Mr H managed his current account. Had it done so, I am satisfied it would have concluded Mr H could not sustainably make credit card repayments. It will need to take action to put things right.

### **Putting things right**

Nationwide must:

- Rework Mr H's account removing all interest and charges that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr H along with 8% simple interest per year\* calculated from the date of each overpayment to the date of settlement. Nationwide should also remove all adverse information regarding this account from Mr H's credit file.
- Or, if after the rework there is still an outstanding balance, Nationwide should arrange an affordable repayment plan with Mr H for the remaining amount. Once Mr H has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

\*HMRC requires Nationwide to deduct tax from this interest. Nationwide must give Mr B a certificate showing how much tax has been taken off if he asks for one.

### **My final decision**

I have upheld the complaint and require Nationwide Building Society to put things right as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 12 September 2022.

Nicola Bowes  
**Ombudsman**