

The complaint

Mr B complains that Nationwide Building Society ('Nationwide') irresponsibly gave him credit that he couldn't afford.

What happened

In June 2016 Mr B took out a loan for £13,428.23, a term of 60 months and a monthly premium of £275.86.

Mr B also took out a credit card 27 April 2016 with a credit limit of £3,000. This limit was increased to £4,000 on 6 July 2018.

In 2021, Mr B complained to Nationwide to say that he was in financial difficulty before the account was opened and that adequate affordability checks weren't carried out when the loans were provided. Mr B thought Nationwide ought to have understood he had a gambling habit and not provided him with increased credit.

Our investigator recommended the complaint be upheld. Nationwide didn't respond. So, the complaint has been passed to me for 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.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Nationwide will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don't consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

Nationwide needed to take reasonable steps to ensure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr B could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts and the consumer's income and expenditure. With this in mind, in the early stages of a lending relationship, I think less thorough checks might be reasonable and proportionate.

But certain factors might point to the fact that Nationwide should fairly and reasonably have done more to establish that any lending was sustainable for the consumer. These factors include:

- the *lower* a consumer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *greater* the frequency of borrowing, and the longer the period of time during which a customer has been indebted (reflecting the risk that prolonged indebtedness may signal that the borrowing had become, or was becoming, unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. Mr B eventually contacted Nationwide in 2019 and explained he was in financial difficulties. Mr B had a gambling addiction and had made regular use of short-term lending.

Our investigator set out in some detail why he thought Nationwide shouldn't have provided Mr B with either the loan or the credit card or its credit limit increase. Nationwide didn't respond to that assessment. As Nationwide has not engaged with the assessment findings, I have no specific counter arguments to review, So I will be briefer than I may otherwise have been.

In this case the size of the credit card limit when it was issued, and later when it was added to by a sizeable loan, especially when considering the total amount that would be repaid over the term of the loan, should have, I think, lead Nationwide to conduct a proportionate check that checked Mr B's financial situation more fully than they did.

Nationwide needed to take into account everything it knew about its customer when deciding to lend. And I think that a proportionate check would have seen Nationwide use the information about Mr B that they had at their disposal when making its lending decisions.

In this case Nationwide had an existing customer relationship with Mr B, as he held a current account with them, amongst other things. Mr B has provided us with copies of his bank statements for his Flex Direct account from these times, held with Nationwide. And the information on that account readily showed, or ought easily to have shown, that Mr B was gambling heavily throughout the times the lending decisions were made. Indeed, the level of activity was such that Mr B regularly spent more than his salary on betting. And sometimes he was spending more than twice his salary on gambling. It seems Mr B was having money transferred to him from others and making use of short-term lending. And Nationwide ought to have been able to see that through any basic enquiry about their customer.

So, I think that proportionate checks would likely have shown Nationwide that, despite its own process for calculating affordability, Mr B was in difficulty with managing his account alongside his other commitments and day-to-day living expenses. I also think there was a significant risk that further increases to his credit could have led to his indebtedness increasing unsustainably, such that he had no funds available to meet his debts and regular outgoings, and that Mr B might take the risk of making more and more use of expensive short-term lending.

I think that Mr B lost out because Nationwide provided him with credit from 27 April 2016 onwards. In my view, Nationwide's actions unfairly prolonged Mr B's indebtedness by

allowing him to use credit he couldn't afford over an extended period of time and the interest being added got him into further debt.

So, for the above reasons I uphold Mr B's complaint about Nationwide. And so, Nationwide should put things right.

Putting things right

As I don't think Nationwide ought to have lent Mr B the loan or the credit card, and the credit increase on it, in this complaint, I don't think it's fair for it to be able to charge any interest or charges under the credit agreements. But I think Mr B should pay back the amounts he has borrowed. Therefore, Nationwide should:

- Rework the credit (loan and credit card) removing all interest and charges that have been applied, so that Mr B only needs to pay back the capital he borrowed.
- If Mr B has paid back more than the capital he borrowed, any overpayments should be refunded to him 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 credit from Mr B's credit file.
- Or, if after the rework there is still an outstanding balance, Nationwide should arrange an affordable repayment plan with Mr B for the remaining amount. Once Mr B has cleared the balance, any adverse information in relation to the credit should be removed from his credit file.

*HM Revenue & Customs requires Nationwide to deduct tax from any award of interest. It must give Mr B a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons set out, I'm fully upholding Mr B's complaint. Nationwide Building Society should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 November 2022.

Douglas Sayers
Ombudsman