

The complaint

Mr L has complained that Nationwide Building Society irresponsibly lent to him.

What happened

Mr L opened a credit card account with Nationwide in January 2019. The initial credit limit was £5,400.

Mr L eventually defaulted on his credit card. Mr L says that Nationwide acted irresponsibly by providing him with the credit card. He was struggling financially and was gambling heavily. He says if Nationwide had done adequate checks on his situation it would have seen that he wouldn't be able to repay his balance in a reasonable length of time. Nationwide says it didn't lend irresponsibly to Mr L and that it did all the necessary checks before it lent to Mr L.

Our adjudicator reviewed Mr L's complaint and thought that it should be upheld. He considered that it was clear Mr L was in financial difficulty and would not be able to sustainably meet his repayments.

Mr L agreed with our adjudicator's view. Nationwide did not respond, so the case 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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Mr L's complaint.

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 L 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 Mr L's income and expenditure. Certain factors might point to the fact that Nationwide should fairly and reasonably have done more to establish that any lending was sustainable for Mr L. These factors include things like understanding Mr L's income, the total amount Mr L borrowed, and the length of time Mr L had been indebted. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable.

Nationwide repeatedly failed to engage with this service in relation to Mr L's complaint. It did not provide evidence until the adjudicator's view had been conducted. When it did provide some information, it showed very little comprehensible data and Nationwide provided no

narrative to explain why it thought it had made a reasonable lending decision. It said it put Mr L's application through a full creditworthiness and affordability assessment but failed to demonstrate this. It provided a list of the reasons why any application may, in general, be declined, intimating that Mr L's application met its lending requirements. It failed to respond substantively to the adjudicator's view.

While Nationwide may have satisfied its own internal lending criteria when it lent to Mr L that is not the matter I have to consider. I need to consider whether that lending decision was fair and appropriate in all the circumstances.

Mr L already had a financial relationship with Nationwide. He banked with Nationwide and he had increased his overdraft with it in December 2018 and January 2019. In the same months he had applied for two personal loans with Nationwide and had been refused both times. Mr L has provided evidence that it did so because it did not think the lending was appropriate in his circumstances. It referred to its obligation to be a responsible lender as a reason for rejecting his applications. While I do not know the sums that Mr L was seeking through those loans I think the rejections (combined with Mr L's two requests to increase his overdraft limit in the space of two weeks) show that Nationwide knew that Mr L was not in a good financial position. It should have used its knowledge of the holistic lending relationship to help make its decision on the credit card application. At the very least it should have asked for more information about Mr L's financial circumstances or sought it out from its own records.

Had Nationwide done this I think it would have seen even more evidence that Mr L could not sustainably repay his credit card. Mr L's net salary each month was around £1,700. He was paying over £850 per month to service other debts and £510 in rent, leaving him only around £340 a month for other essential outgoings such as food, transport and phone contract. His bank statements showed numerous gambling transactions. For example, in his November-December 2018 bank statement provided by both Mr L and Nationwide, he spent over £1,700 – his entire net monthly salary – on gambling. While this is an entirely lawful use of Mr L's own funds it ought to have provided Nationwide with concerns about how Mr L was managing his finances when taken with other information easily available to it. Nationwide have made no comment on this.

On balance, on the information available to me, I don't think the decision Nationwide made to provide a credit card to Mr L was fair or appropriate. It failed to take into account (or give sufficient weight to) information readily available to it which indicated Mr L would have difficulty making sustainable repayments.

Putting things right

As I don't think Nationwide ought to have opened this account I don't think it's fair for it to be able to charge and interest, fees or charges under the credit agreement. But as Mr L has had the benefit of the money he borrowed he should pay that back. Nationwide should:

- Rework the account removing all interest, fees and charges and any insurances which haven't already been refunded that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr L 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 L's credit file.
- Or, if after the rework there is still an outstanding balance, Nationwide should arrange and affordable repayment plan with Mr L for the remaining amount. Once Mr L has cleared the balance, any adverse information in relation to the account should be

removed from his credit file.

- If Nationwide has sold the debt to a third party, it should arrange to either buy back the debt from the third party or liaise with them to ensure the redress set out above is carried out promptly.

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

My final decision

I uphold Mr L's complaint and direct Nationwide to pay compensation as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 4 January 2023.

Sally Allbeury
Ombudsman