

## **The complaint**

Mr W and Mrs W are unhappy with the way Nationwide Building Society (“Nationwide”) dealt with their application for a personal loan. They say they were told that the application had been approved and it took a number of days before it was explained to them that the application had been declined.

## **What happened**

Mr W and Mrs W applied for a personal loan that was to be used to purchase a car for Mr W. Their application was approved in principle and they sent in the required documentation and signed the loan agreement. They say they were sent a letter from Nationwide that said the application had been agreed and therefore they expected the funds to be sent to Mr W's current account shortly after this point. Mr W and Mrs W have explained that upon receiving this assurance a deposit was put down on the car that Mr W was purchasing.

When the funds were not received Mrs W contacted Nationwide both by attending a branch and via telephone to find out when the funds would be released. Mrs W says she was told on each occasion that it would be carried out shortly. After a few days and a number of further phone calls they discovered that the application had been declined. They raised a complaint about this as Mr W had borrowed funds to complete the car purchase.

In response to their complaint Nationwide accepted that it could have been clearer during its contact with Mr W and Mrs W and offered them £200 to reflect this. But it maintained that the loan application could not be approved nor could the record of the loan application be removed from their credit files.

## **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.

Mr and Mrs W says Nationwide treated them unfairly by declining the loan application and it should not have been able to decline the application after saying it had been approved. However Nationwide was entitled to decline the application until it had been fully approved and the funds paid. I note Mr W and Mrs W received a letter regarding this and it does state that the loan application was successful but this was an error as the loan was still being underwritten.

In relation to the loan being declined, in deciding whether or not to lend, a business must ensure, amongst other things, that the requested finance will be affordable. It also needs to take into consideration the financial information that it has about the loan applicants. This includes checking how an applicant's current account is run.

So this is what I've looked at in reaching my decision. It is also important to note that Nationwide is entitled to decline applications for borrowing. It is entitled to exercise its commercial judgement when deciding whether it is willing to lend to an individual and this isn't something we'd usually interfere with when it's done on a legitimate basis. Mr W and

Mrs W has said that Nationwide said that the loan application was declined due to gambling transactions that were on Mr W's bank statements. I have looked at the statements in question and I can see that there are gambling transactions. So I don't think the basis for why Nationwide declined the application i.e. the existence of gambling on Mr W's account, was incorrect or in error.

In relation to the customer service that Mr W and Mrs W received. It is not in dispute that Nationwide could have made it clearer that the loan application had not been fully approved and that it made an error in saying it had been agreed. In general, the role of this service is generally to aim to put a consumer back into the position that they would have been in had the error from the business not occurred. In this case the error is that Mr W and Mrs W were told incorrectly that the loan had been approved, the error is not that the loan was eventually declined.

So I need to consider what would have happened had Mr W and Mrs W been given the correct information i.e. that the loan had not been approved. In this instance, Mr W and Mrs W had purchased the car by the time that they were made aware of this. But importantly looking at the sale agreement they did have the option to return the car at this point. I understand that there may have been a cost for this, and one which I would have expected Nationwide to have paid for had they chosen this option. As they did not return the car despite knowing that the loan had been declined, I can't see that they would have done anything differently had they been told this earlier.

That said though, I am satisfied that this matter caused Mr W and Mrs W a level of distress and inconvenience. I should stress that awards that we make for distress and inconvenience are not intended to punish or fine a business. I have considered everything that has been provided and overall, I think that £200 that has been offered by Nationwide is a fair reflection of the distress and inconvenience caused by this matter.

### **My final decision**

I uphold this complaint and require Nationwide Building Society to pay Mr and Mrs W £200 to reflect the distress and inconvenience caused by this matter, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 17 March 2023.

Charlie Newton  
**Ombudsman**