

## **The complaint**

Mr O complains that the loan he had from Nationwide Building Society was unaffordable.

## **What happened**

Mr O borrowed £10,000 from Nationwide in September 2021. The loan was due to be repaid in 60 monthly instalments of £202.32.

Mr O says the loan was unaffordable as he had existing debts and a gambling addiction. He said if Nationwide had carried out better checks it would have seen he couldn't afford the loan. Mr O says he lost the loan money to gambling and is suffering mentally and physically.

Nationwide says it carried out all the required checks and it was satisfied Mr O's declared income was accurate and the loan was affordable. It adds that a credit search showed no adverse information.

Our investigator recommended the complaint should be upheld. He was not satisfied that Nationwide's checks had gone far enough and found that proportionate checks would have indicated the lending was unsustainable.

Nationwide responded to say, in summary:

- Mr O declared he had no monthly loan repayments, but it included the credit commitments it found as a result of its checks - it added that a manual credit search was likely to have provided the same information;
- It had verified Mr O's declared income with a high level of confidence;
- It was unreasonable to include credit card limits as a source of future debt as this may then exclude all other lenders from being able to offer a loan.

## **Provisional findings**

I issued a provisional decision to Mr O and to Nationwide on 8 February 2023. Although I reached the same outcome as the investigator, I did so for substantively different reasons.

I've summarised my findings below:

- I didn't consider Nationwide's checks went far enough because:
  - The loan was for 60 months, and Nationwide needed to ensure the repayments were sustainable over that period;
  - Mr O would be committing one third of his income to credit repayments - this was a significant proportion of his income and indicated he may struggle to manage his money;

- Nationwide's initial calculations showed Mr O would have had only around £180 of disposable income each month so it needed to be confident the expenditure figures were accurate;
- I found proportionate checks were likely to have shown:
  - Mr O's rent was just over £450;
  - He had further regular direct debits totalling £90 for items including his phone and gym membership;
  - His repayments to loans were in line with what was on Nationwide's credit check;
  - Transfers to another account each month were to pay for utilities, food and travel totalling about £550;
- These figures indicated that Mr O did not have enough disposable income each month to sustainably make the loan repayments;
- I acknowledged that Mr O said he had a gambling addiction at the time, and I could see significant expenditure on some of his bank statements, but as Nationwide may not have used bank statements to obtain the information it needed for a proportionate check I could not assume it would have been aware of this;
- I accepted what Nationwide said about it being unreasonable to include credit card limits as a source of future debt and, based upon Mr O's historic usage of this source of credit, I agreed that a larger exposure was not reasonably foreseeable;
- Nevertheless, I didn't consider Nationwide's checks went far enough and I was satisfied that reasonable and proportionate checks would have shown that it was unlikely Mr O could sustainably make the loan repayments for five years.

In summary, I found it was irresponsible to lend to Mr O and Nationwide did not make a fair lending decision based on affordability, although I didn't find it acted unfairly or unreasonably in any other way.

Mr O responded to say that he had nothing further to add.

Nationwide responded to accept the provisional 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 neither party provided any additional information, and Nationwide accepted my provisional decision, I see no reason to depart from it.

### **My final decision**

My decision is that I uphold this complaint. Nationwide Building Society should:

- Add up the total amount of money Mr O received as a result of having been given the loan. The repayments Mr O made should be deducted from this amount.

- If this results in Mr O having paid more than he received, then any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement).\*
- If any capital balance remains outstanding, then Nationwide should attempt to arrange an affordable and suitable payment plan with Mr O;
- Remove any negative information recorded on Mr O's credit file regarding the loan, once it has been repaid.

\*HM Revenue & Customs requires Nationwide to deduct tax from this interest. Nationwide should give Mr O a certificate showing how much tax it's deducted if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 11 April 2023.

Amanda Williams  
**Ombudsman**