

The complaint

Mr C complains that Nationwide Building Society was irresponsible to lend to him.

What happened

Mr C was approved for the following loan from Nationwide in December 2021:

<u>Loan</u>	<u>Date</u>	<u>Amount</u>	<u>Term</u>	<u>Repayment</u>	<u>Due</u>
1	17 Dec 2021	£5,270	60m	£124.71	17 Dec 2026

I acknowledge that Mr C had already taken out a Nationwide loan in October 2021, but that loan is being considered as part of a separate complaint.

Ms D, on behalf of Mr C says that, as well as the first Nationwide loan, Mr C had taken out three loans for caravans and a car, since October 2021. She says he suffered with mental health issues and stopped work at the beginning of December 2021 with him struggling to make all his repayments shortly afterwards. Ms D says Nationwide had full access to Mr C's bank accounts so it should have seen the lending was unaffordable.

Nationwide says Mr C passed all the necessary checks when he applied for the loan, but it acknowledged he started to experience financial difficulties shortly afterwards. It refunded interest charged to date and offered to eliminate further interest charges subject to the receipt of a financial statement from Mr C.

Our investigator recommended the complaint should be upheld. She wasn't satisfied that Nationwide had carried out proportionate checks and considered that, had it done so, it would have found the loan was unaffordable to Mr C. She recommended that Mr C should only have to repay the money he borrowed and that any adverse information should be removed from his credit file once the loan had been repaid.

Nationwide responded to say it accepted the investigator's recommendation.

Ms D, on behalf of Mr C, responded to say, in summary, that other lenders had agreed to write the debt off and she feels Nationwide should do the same because:

- Nationwide's first loan of £20,000 enabled Mr C to spend freely and uncontrollably;
- There was clear evidence on his bank statements that Mr C's income was reduced, and his expenditure was higher than he'd declared;
- Mr C has ongoing mental health issues;

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 need to take into account the relevant rules, guidance and good industry practice.

Bearing this in mind, in coming to a decision on Mr C's case, I have considered the following questions:

- Did Nationwide complete reasonable and proportionate checks when assessing Mr C's loan application to satisfy itself that he would be able to repay the loan in a sustainable way?
 - If not, what would reasonable and proportionate checks have shown?
- Did Nationwide make a fair lending decision?
- Did Nationwide act unfairly or unreasonably in some other way?

I have listened to the call in which Mr C applied for the loan and he says:

- The purpose of the loan is for wedding-related travel;
- His income is roughly £1,550 per month;
- He pays no mortgage or rent;
- He is intending to use some of the money to clear the £2,175 balance on his Nationwide credit card;
- He needed to take some time off work;
- He has no other loans;

Nationwide said its checks verified Mr C's income and found no negative information on his credit file. It said it used an estimate for Mr C's living expenditure and found the loan to be affordable.

I'm not satisfied these checks were reasonable and proportionate for the loan because:

- The loan was for a period of 60 months and Nationwide needed to be sure the repayments were sustainable for that period;
- Mr C had taken out a £20,000 loan with Nationwide just two months earlier;
- Mr C had said he needed to take some time off work;

So, I consider proportionate checks should have included looking at Mr C's bank statements, to which it had access. If it had done so, it would have found:

- Mr C's monthly income averaged just over £1,000 in the lead up to the loan application;
- There were regular monthly payments of roughly £600 which Ms D says were Mr C's contributions to household expenditure;
- As well as the first Nationwide loan, there were first payments to three other loans in November – in total a monthly commitment of over £2,000;

Mr C had other regular expenditure on items including insurances and mobile phones, but it is clear that the loan repayments alone would have left Mr C in a deficit each month and any further lending was irresponsible.

So, I don't find Nationwide made a fair lending decision, although I don't consider it acted unfairly or unreasonably in any other way.

I acknowledge that Ms D says that the entire loan should be written off in the circumstances, but I can't agree that is a fair outcome in this case. Mr C has had the benefit of the money and, indeed, I can see he used much of it to repay other debts. That said, Nationwide has an obligation to respond positively and sympathetically to Mr C when attempting to set up a repayment plan for the balance owed.

My final decision

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

- Add up the total amount of money Mr C received as a result of having been given the loan. The repayments Mr C made should be deducted from this amount;
 - If this results in Mr C having paid more than he received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement)*. Nationwide should also remove all adverse information regarding this loan from Mr C's credit file;
 - If any capital balance remains outstanding, then Nationwide should attempt to arrange an affordable and suitable payment plan with Mr C. Once Mr C has cleared the balance, any adverse information in relation to this loan should be removed from his credit file.

*HM Revenue & Customs requires Nationwide to deduct tax from this interest. Nationwide should give Mr C 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 C to accept or reject my decision before 20 November 2023.

Amanda Williams
Ombudsman