

Complaint

Mr C has complained about a personal loan Nationwide Building Society (“Nationwide”) provided to him. He’s in effect said that Nationwide lent to him even though it ought to have realised that he would use the funds advanced for gambling.

Background

Mr C has also separately complained about Nationwide’s decision to provide him with an overdraft, increase the limit and then continue providing it to him. He’s also complained about being able to make as many transactions as he did. Those matters are being considered separately and this decision solely concerns Nationwide’s decision to provide Mr C with a loan.

Nationwide provided Mr C with a loan for £4,750.00 in June 2020.

Mr C’s loan had an APR of 9.8% and a term of 36 months. This meant that the total amount to be repaid of £5,468.40, which included interest, fees and charges of £718.40, was due to be repaid in 36 monthly instalments of £151.90.

One of our investigators reviewed what Mr C and Nationwide had told us. And he thought that Nationwide hadn’t done anything wrong or treated Mr C unfairly. So he didn’t recommend that Mr C’s complaint be upheld.

Mr C disagreed with our investigator’s assessment and asked for an ombudsman to look at his complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr C’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr C’s complaint. I’ll explain why in a little more detail.

Nationwide needed to make sure that it didn’t lend irresponsibly. In practice, what this means is Nationwide needed to carry out proportionate checks to be able to reasonably understand whether Mr C could afford to make his monthly payments before providing this loan.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Nationwide says it agreed to Mr C's application after he provided details regarding his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out and other credit reference agency checks undertaken. In its view, all of this information showed Mr C could afford to make the repayments he was committing to.

On the other hand, Mr C has said he should never have been provided with this loan because Nationwide ought to have realised that he'd use the funds for gambling.

I've carefully thought about what Mr C and Nationwide have said.

The first thing for me to say is that Mr C has continually referred to Nationwide having provided him with a large loan. But a loan for £4,750.00 in itself wouldn't be considered a large loan or in itself wouldn't warrant a specific level of checks. It's the individual circumstances of the lending in question which are relevant to what a reasonable and proportionate check looks like, not just the amount of the loan in isolation.

I also think that Nationwide didn't simply accept an over-optimistic declaration of monthly disposable income at face value. It carried out checks against what Mr C had declared. Nationwide's credit searches showed that Mr C had low levels of existing debt, at the time of the application at least, and what he did have was being reasonably managed.

I appreciate that Mr C has disputed the amount Nationwide's checks showed him to be in debt by as he says he was overdrawn by more than this on his main account, which was with another bank. But I've seen the results of Nationwide's credit search and it shows that Mr C had total debts of around £780 at the time this search was carried out.

Mr C has provided statements from his main account showing that his balance was overdrawn by more than this. Although this is the case, different financial institutions report balances at different times. It's also worth noting that Mr C's full credit file shows that Mr C's other bank reported a £0 overdraft balance in May 2020 and June 2020, which are the reports in months leading up to this application.

So I don't think that Nationwide's information was inaccurate at least in terms of what was on Mr C's credit file. And, in any event, what's important here is that Nationwide had no reason to question what it received from the credit reference agency it used. I'm therefore satisfied that it was reasonably entitled to rely on the credit search information that it had.

I've also thought about what Mr C has said about it being the case that Nationwide ought reasonably to have been aware that he'd use the funds for gambling. It's fair to say that Mr C was carrying out gambling transactions on his Nationwide current account prior to his application for this loan. But Mr C didn't have an overdraft on his Nationwide current account at this stage and the account was receiving credits in the form of gambling winnings as well as transfers. So Mr C hadn't been borrowing from Nationwide, at least, for the purposes of gambling in the lead up to this application.

Furthermore, given Mr C wasn't overly indebted, I don't see why Nationwide would reasonably have reached the conclusion that Mr C was taking out this loan to fund gambling. I say this while particularly mindful that this was a first loan and I don't think it would have

been reasonable to automatically decline Mr C's application on the basis that he had been gambling what, on the face of things at least, appeared to be his own funds.

At the absolute best, I would have expected Nationwide to ask Mr C more questions about these transactions. If Mr C was intent on gambling any funds he secured, which his complaint does appear to suggest he's arguing was the case, I consider it unlikely that he would have told Nationwide that's what he planned to do with any funds advanced, if he was asked further questions on his gambling as part of his application.

Finally, I've also seen Mr C's argument that Nationwide should have requested the statements for his main bank account, which he believes would have seen his loan application declined, in order to verify his inaccurate declaration of income.

In particular, Mr C appears to have relied on CONC 5.2A.16 G (3) which states:

"For the purpose of considering the *customer's* income under CONC 5.2A.15R, it is not generally sufficient to rely solely on a statement of current income made by the *customer* without independent evidence (for example, in the form of information supplied by a *credit reference agency* or documentation of a third party supplied by the third party or by the *customer*)."

The first thing for me to say is that Nationwide didn't solely rely on Mr C's statement of his current income when performing its income and expenditure checks. It does not appear to be in dispute that Mr C may have provided an inaccurate and inflated declaration of his income. But Nationwide actually took steps to cross-check Mr C's declaration against information it obtained from a credit reference agency.

The information from the credit reference agency suggested that the amount Mr C received in his main current account received each month, wasn't incompatible or inconsistent with Mr C's income declaration. This check suggested that Mr C's account was receiving sufficient funds to justify Mr C's declaration.

I wouldn't go as far as describing this as Nationwide actually verifying Mr C's income. But nonetheless as it took steps to obtain independent evidence from the credit reference agency, in terms of the credits going into Mr C's main account, I think it's fair to say that Nationwide didn't solely rely on a statement of current income made by Mr C. Therefore, while Mr C might think that the steps Nationwide did take here did not go far enough, I'm not necessarily persuaded that Nationwide acted contrary to the guidance in CONC 5.2A.16 G (3) in the way Mr C suggests.

In any event and for the sake of completeness, I also think it is important for me to say that even if I were to give Mr C the benefit of the doubt here and agree with him that Nationwide acted contrary to the guidance in CONC 5.2A.16 G (3), it does not automatically follow that Mr C's complaint should be upheld for this reason, or that the statements for his main account should be considered. I say this because even if I concluded that Nationwide had acted contrary to the guidance in CONC 5.2A.16 G (3) and relied solely on Mr C's inaccurate declaration of his income, I would still need to conclude what Nationwide ought to have done to have acted in accordance with the guidance.

CONC 5.2A.16 G (3) does not state that a bank needs to ask a customer for statements to a bank account before relying on a customer's declaration of income. What it states is that independent evidence should be obtained in order to consider a customer's declaration of income. I think that this is an important distinction to make – particularly as one example, which is actually used in CONC 5.2A.16 G (3), is obtaining evidence from a credit reference agency and this is what Nationwide actually did in Mr C's case.

But leaving that to one side, even if I were to accept that, as Mr C says, what Nationwide did wasn't enough, obtaining the statements for Mr C's main bank account wasn't the only other way for Nationwide to assess Mr C's declaration of his income. It could also have looked at other independent evidence – for example, by asking Mr C for copies of his payslips, or ask him to provide some other proof of income.

So I don't agree that Nationwide had to obtain copies the bank statements from Mr C's main account to have complied with the guidance in CONC 5.2A.16 G (3) in the way that Mr C has suggested. And I therefore don't think that Nationwide ought reasonably to have been aware of the contents of the bank statements for Mr C's main account.

Having carefully considered the information presented before me, I'm satisfied that Nationwide's lending department was not actually aware, or that it ought reasonably to have been aware that Mr C would use any funds advanced for gambling when it made its decision to lend to him.

Given what Nationwide's credit search showed, Mr C's declared income and the checks carried out against this, I'm satisfied that there was no obvious reason for it to question the information it had obtained. There didn't appear to be anything that was obviously inconsistent or difficult to explain and I've not seen enough here to be satisfied that the decision maker on Mr C's loan ought reasonably to have been aware that any funds advanced would be gambled.

I accept that Mr C says his position was worse than the information obtained shows and he had to take out further loans in order to keep up with his repayments. I'm sorry to hear this, although given the amounts Mr C says he borrowed from elsewhere, the monthly payments on this loan and the total amount that had to be repaid, it's difficult for me to accept that Mr C had to borrow the amounts he's referred to, solely to make the payments to this loan.

Nonetheless, it's only fair and reasonable for me to uphold a complaint in circumstances where a respondent firm did something wrong. Nationwide could only make a reasonable assessment of the information it had. I don't see how Nationwide turning Mr C down for additional borrowing in March 2021 or September 2021 means that Nationwide should have declined Mr C's application in June 2020, or that these declined applications meant that Nationwide needed to contact Mr C about his existing loan.

Although I do accept that these matters which occurred after this loan was taken out *could* be relevant considerations in relation to Mr C's separate overdraft complaint. This is particularly in relation to allowing him to continue using the facility. But that's not what I'm looking at here. Furthermore, I wish to be reiterate and be clear on the fact that I have not looked at Mr C's overdraft complaint and make no findings in relation to this matter.

Given the payments for Mr C's successful loan application appeared to be affordable and this was a first loan, I'm satisfied that Nationwide was not only reasonably entitled to believe that Mr C could make the payments, but also that it wouldn't be increasing his indebtedness in a way that was unsustainable or otherwise harmful.

In other words, the monthly payment appeared affordable based on the information that it obtained and it wasn't the case that it ought reasonably to have realised that Mr C would use the funds advanced for gambling. As this is the case, I don't think that Nationwide did anything wrong when deciding to lend to Mr C.

So overall I don't think that Nationwide treated Mr C unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr C's complaint. I appreciate this will be very

disappointing for Mr C as he clearly feels strongly about this matter. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 January 2024.

Jeshen Narayanan
Ombudsman