

## **The complaint**

Mr C has complained to Nationwide Building Society (“Nationwide”) about overdraft facilities that were granted to him in March 2021.

Mr C says Nationwide acted irresponsibly in providing him with the overdraft and increase and that Nationwide should have realised they were unaffordable from the outset.

## **What happened**

Mr C is complaining about being accepted for an overdraft of £1,000 on 16 March 2021 on his FlexAccount. He applied via his mobile phone app. The level of overdraft was increased further to £1,150 on 20 March 2021.

Mr C says that Nationwide acted irresponsibly in granting him the initial and then increased overdraft. He also says that Nationwide ought to have been aware that he was using he account for a large number of gambling transactions.

One of our investigators reviewed what Mr C and Nationwide had told us. He thought Nationwide hadn’t acted unreasonably in relation to granting the additional overdraft lending, and so he didn’t recommend that Mr C’s complaint be upheld.

As Mr C disagrees, his complaint has been passed to me for a 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 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.

I’ve read and considered the whole file, but I’ll concentrate my comments on what I think is relevant. If I don’t comment on any specific point it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it in order to reach what I think is the right outcome.

Having carefully considered everything provided, I’ve not been persuaded to uphold Mr C’s complaint. I’ll explain why in a bit 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 understand whether Mr C could afford to repay his new overdraft within a reasonable period of time. 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 needs 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 agreed to Mr C's overdraft applications after carrying out credit checks to ensure that the amount requested was likely to be affordable. Nationwide says this included looking at the level of account turnover and using credit reference agency information to help establish whether Mr C's financial circumstances showed the overdraft to be affordable. Using this information, Nationwide says it estimated that Mr C had an annual income of around £15,000. Mr C has told us that his annual income was in fact a lot less and that he was heavily indebted elsewhere. With regard to his income payments, from what I've seen this was paid into a current account held elsewhere and so Nationwide wouldn't have had immediate access to this information.

As things stand though, I simply can't say whether the checks Nationwide carried out were reasonable and proportionate, as I don't have the full details of what those searches showed. I think though, given the relatively modest level of initial and increased overdraft, the checks carried out by Nationwide wouldn't have needed to go so far as to request detailed information about Mr C's income and outgoings, in addition to the account information it already had access to. So I've gone on to think about what the evidence and information that was accessible to Nationwide at the time would likely have shown.

Our investigator looked at Mr C's recent credit report in order to gain some idea of his financial position at the time. This showed that Mr C was up to date with his existing credit commitments and there were no recent adverse markings on his credit file, such as might arise from unpaid arrears. I've looked myself and agree that overall Mr C was keeping within the borrowing limits he'd been given and didn't appear to be over-reliant on credit to the extent that his financial position was at risk of becoming unsustainable. I've also kept in mind that the facility he'd applied for was different in nature to being granted a loan or credit by way of a credit card. Here he was being given a facility that would allow him to go into debit on his current account without incurring fees or higher than necessary levels of interest.

Mr C's bank statements leading up to the overdraft and increase being approved show a large number of gambling transactions. In such circumstances, I think there is an argument for saying that Nationwide should have taken a closer look at Mr C's circumstances before agreeing to the overdraft and the increase. I've also seen that Mr C was making transfers to his account from other accounts he held elsewhere. It looks like these were being used at least in part to help fund his gambling. This information about his account use would have been available to Nationwide at the time as part of its assessment of how he was managing his current account. And it would have been open to it to ask Mr C why he was applying for the overdraft – although it's quite likely that Mr C would not have chosen to acknowledge he needed the facility to help him with gambling transactions.

I've noticed that by the time he was granted the overdraft Mr C had gone overdrawn by around £500. On the other hand, he tended to keep his account in credit more often than not each month. And when he did go into debit during some periods this was only for a limited time.

I cannot use hindsight in deciding complaints about unaffordable lending. In this case, I've seen that Mr C did go on to continue using gambling sites. I've noted that he also continued to keep his account within the overdraft limits. I've seen there was heavy transaction traffic in late 2021 that suggests an uptick in his gambling activity. Again, I would regard this as a potential concern for Nationwide, but given that Mr C's overall financial position wasn't deteriorating and he was managing his funds sustainably, I don't think it's reasonable to

have expected Nationwide to have taken steps to remove or reduce his overdraft facility. I think this is also supported by the fact that Mr C's account balance had increased significantly by early 2022 from what it had been towards the end of 2021.

I've also kept in mind that when Mr C was using his overdraft more regularly in the course of 2022, this prompted Nationwide to write to him and offer support if Mr C decided he needed it. So I consider that Nationwide was exercising a reasonable level of responsibility in monitoring Mr C's use of his overdraft and signs arising from that use that he might be getting into financial difficulties.

In responding to our investigator's finding, Mr C has pointed out that his level of income from employment was lower than it might otherwise have appeared. He says that a detailed look at his income and expenditure would have shown the overdraft not to be sustainable. He says he had recently taken out a loan with another lender which had all been spent on gambling and this is something Nationwide ought to have been aware of. I've thought carefully about this but given that Mr C appeared to be managing his existing credit relatively well, I don't think I can make a finding that Nationwide ought to have been put on notice that the overdraft limit and increase was likely to be unaffordable. So it is still the case that I am not persuaded that the evidence available to Nationwide was necessarily enough for it to decline the overdraft and increase.

Taking everything I've seen into consideration, it does seem to me that by March 2021, Mr C's overall management of his account doesn't suggest that an overdraft first of £1,000 and then £1,150 would be something that he wouldn't be able to manage and repay sustainably.

It follows that I don't think Nationwide treated Mr C unfairly or irresponsibly when providing him with his overdraft and overdraft increase in March 2020. I'm therefore not upholding Mr C's complaint.

I appreciate this will be very disappointing for Mr C. But I hope he will understand the reasons for my decision and that he will 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 22 February 2024.

Michael Goldberg

**Ombudsman**