

The complaint

Mr M complains that Nationwide Building Society lent irresponsibly when it approved loan applications he made in November 2016 and September 2017.

What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said:

In November 2016 Mr M applied for a loan of £5,600 over 84 months with Nationwide. In his application, Mr M said he was employed with a net monthly income of £2,250. Mr M also said he had mortgage costs of £300 a month. Nationwide says it applied regular estimated household expenses of £658.44 a month along with £79.76 for Council Tax. A credit search showed Mr M owed £23,387 in credit card debt and £9,478 in other unsecured credit. In the application, Mr M said he intended to consolidate £5,600 of credit card debt which was the value of the loan. Nationwide says it took the cost of servicing Mr M's existing debts into account and applied its lending criteria. Nationwide found Mr M had around £488 a month left each month after paying his existing commitments and approved the loan with repayments of £118.36.

Mr M repaid the first loan early but a short time later, in September 2017, applied for another. This time, Mr M applied to borrow £2,800 over 60 months. In this application, Mr M said he was employed with a net monthly income of £2,200. Mortgage costs of £350 were noted and Nationwide's credit search found Mr M owed £13,279 in credit card debt. Nationwide calculated the cost of maintaining Mr M's credit cards and applied its lending criteria. Nationwide says that because Mr M's previous loan had only recently been repaid it remained on his credit file so its £118.36 monthly payment was also factored in when it completed the lending assessment. Nationwide says it found Mr M had around £344.36 of disposable income which was sufficient to afford the loan repayment of £71.54 a month and approved his application.

Last year, Mr M complained that Nationwide had lent irresponsibly when it approved his loan applications in 2016 and 2017. Nationwide issued a final response on 24 May 2023. Nationwide gave some background concerning the information it had considered when looking at his applications. Nationwide didn't agree it had lent irresponsibly and didn't uphold Mr M's complaint.

Mr M referred his complaint to this service and it was passed to an investigator. In its initial file submission, Nationwide raised an objection to the Financial Ombudsman Service considering Mr M's complaint and said it had been made too late in terms of the time limits noted in our rules. Our investigator disagreed and the case was ultimately referred to me to make a decision about whether the Financial Ombudsman Service could consider the merits of Mr M's complaint. I issued a decision that confirmed Mr M's complaint about loans taken in 2016 and 2017 is one the Financial Ombudsman Service is able to consider.

Nationwide provided its case file, including the information it had considered when assessing Mr M's loan application. Our investigator upheld Mr M's complaint and said the information

Nationwide found in his applications should've caused it to carry out better checks before deciding to proceed. The investigator thought Nationwide had lent irresponsibly when approving Mr M's loan applications and asked it to refund all interest, fees and charges applied.

Nationwide asked to appeal and provided a detailed explanation setting out the checks it had carried out, including an analysis of the information it found on Mr M's credit file. As Nationwide asked to appeal, Mr M's complaint has been passed to me to make a decision.

What I've provisionally 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.

Having done so, I've reached a different conclusion to the investigator. I'm very sorry to disappoint Mr M but based on the information I've seen so far, I haven't been persuaded Nationwide lent irresponsibly. I'll explain why.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering what's fair and reasonable in the circumstances of this complaint.

Before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

When Mr M applied for the loan in November 2016, he gave Nationwide details about his circumstances at the time including his residential status and mortgage costs as well as his income. Nationwide carried out a credit check and found details of Mr M's unsecured credit that included a credit card balance of £23,387. I agree with the investigator that the balance was reasonably high when considered against Mr M's income. But I think Nationwide makes a reasonable point when it says the loan Mr M was applying for was intended to be used to consolidate £5,600 of credit card debt. So the application Mr M made wasn't made on the basis he would be increasing his overall levels of debt.

In my view, Nationwide did carry out reasonable and proportionate checks when looking at Mr M's loan application in November 2016. And I'm satisfied that, based on the information Nationwide found, its decision to approve Mr M's loan was reasonable. I'm sorry to disappoint Mr M but I haven't been persuaded Nationwide lent irresponsibly in November 2016.

Mr M repaid the above loan early which meant it wasn't outstanding when he applied for his second loan in September 2017. Nationwide carried out another credit search and found that Mr M's unsecured credit had reduced considerably from November 2016. Mr M's credit card debt had decreased from £23,387 to £13,279. No other unsecured debt was found on Mr M's credit file. Again, Nationwide used the income figure Mr M had provided and applied estimated living costs, Council Tax and regular credit commitments. Nationwide says that left Mr M with around £344.36 a month which was sufficient to cover repayments for a new loan of £71.54.

I think it's also fair to note that Nationwide's explained that because Mr M's previous loan had been repaid shortly before he applied again in September 2017 it was still showing as active on his credit file. So Nationwide's lending assessment factored the £118.36 monthly

repayments Mr M had been making in, despite that loan being repaid. That meant Mr M's disposable income figure was actually somewhat higher than the figure Nationwide used in the application.

Whilst I agree Mr M's credit card debt was reasonably high, the credit file I've seen doesn't show any evidence of missed payments or other adverse credit. And the information available to Nationwide showed Mr M's overall unsecured debts had reduced significantly since his previous application in 2016 was made.

I note the investigator highlighted a secured loan that Nationwide failed to take into account when assessing Mr M's loan application. But Nationwide's pointed out Mr M gave a monthly mortgage figure in his loan applications that appeared to be correct. And the credit report Mr M's provided shows the secured loan is only being reported to one out of the three main credit reference agencies. So whilst I understand the loan wasn't something Nationwide was aware of, I have been persuaded that it failed to carry out reasonable checks before approving Mr M's loan applications.

In his complaint submission, Mr M's explained he was suffering with significant mental health difficulties around this time that impacted his finances. I want to assure Mr M that I don't doubt what he's told us or that he was experiencing a particularly difficult time. But I need to consider what Nationwide would've seen when Mr M made the loan applications. And I haven't seen anything that would've indicated that Mr M was experiencing a particularly difficult time when the applications were made.

I'm very sorry to disappoint Mr M but as I haven't been persuaded Nationwide lent irresponsibly, I'm not upholding this complaint.

I invited both parties to respond with any additional comments or information they wanted me to consider before I reached my final decision. Mr M didn't respond. Nationwide confirmed it had nothing further to add.

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 has supplied new information for me to consider I see no reason to change the conclusions I reached in my provisional decision. I remain of the view that Nationwide completed reasonable and proportionate checks before approving Mr M's loans and haven't been persuaded it lent irresponsibly.

My final decision

My decision is that I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 27 March 2024.

Marco Manente
Ombudsman