

The complaint

Mr B complains that Nationwide Building Society lent irresponsibly when it approved his overdraft application and later increased the limit. Mr B also complains that Nationwide's actions led to him becoming overly reliant on the overdraft facility and that it unfairly continued to apply interest and charges while he was experiencing financial difficulties.

What happened

Mr B had an existing current account with Nationwide. In December 2018, Mr B successfully applied for an overdraft limit of £250. Between January 2019 and April 2019 Mr B made various successful overdraft applications, increasing the limit to £2,000.

Earlier this year, representatives acting on Mr B's behalf complained about Nationwide's decision to approve Mr B's overdraft facility and the lack of assistance provided while he was in financial difficulties. Nationwide issued a final response on 8 April 2024 but didn't agree it had lent irresponsibly or failed to provide support to Mr B.

An investigator at this service upheld Mr B's complaint. Whilst they didn't think Nationwide's decision to approve the overdraft facility in stages reaching a final limit of £2,000 was irresponsible, the investigator thought Mr B's account showed he'd become reliant on it to make ends meet. The investigator thought Nationwide should've stepped in around April 2021 instead of continuing to charge Mr B in the same way for using his overdraft and asked it to refund all interest, fees and charges from that point.

Nationwide asked to appeal and pointed out it had declined applications Mr B made in July 2022 and February 2024 to increase his overdraft limit. Nationwide added that it had contacted Mr B under its "repeat usage strategy" in February 2020 but ceased further contact regarding his overdraft during the pandemic. Nationwide says it sent Mr B letters to draw his attention to the pattern of overdraft use in July 2022, March 2023 and June 2023. In late June 2023 Mr B spoke with Nationwide and provided some basic information about his circumstances but didn't go on to complete an income and expenditure assessment. Nationwide says it spoke with Mr B again in October 2023 but he didn't subsequently complete the income and expenditure assessment. Further letters were sent in December 2023 and March 2024. As Nationwide asked to appeal, Mr B's complaint has been passed to me to make 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.

Before agreeing to lend and later increasing the credit limit, the rules say Nationwide had to complete reasonable and proportionate checks to ensure Mr B could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

Nationwide hasn't sent in copies of the lending checks it completed when approving Mr B's overdraft facility. But it has sent us copies of Mr B's bank statements during the period he applied for the overdraft and subsequent limit increases. I've looked at Mr B's bank statements to get a picture of his income and outgoings as well as whether there should've been anything that showed Nationwide he was unable to afford an overdraft.

I think it's reasonable to say that before the overdraft facility of £250 was approved in December 2018, Mr B's account was well managed with regular credits being received. I was able to see payments for a mobile phone and internet. I didn't see any payments for other credit or evidence of returned direct debits. I'm satisfied the decision to approve Mr B's overdraft was reasonable based on what Nationwide knew about Mr B.

In much the same way, Mr B's statements show the increase to £2,000 was reasonable based on the income he was receiving along with his regular outgoings. I haven't been persuaded that Nationwide lent irresponsibly when approving Mr B's overdraft applications up to £2,000 in April 2019.

Our investigator thought Nationwide should've done more to help Mr B by April 2021, two years after the £2,000 limit was approved. They pointed out that by April 2021 Mr B's account had been overdrawn for an extended period. I've looked at Mr B's bank statements and can see the account was almost continually overdrawn from around July 2019 onwards. Nationwide's provided evidence that shows it carried out regular overdraft reviews, so I'm satisfied it was aware of the way the account was being used.

In response to the investigator, Nationwide says it wrote to Mr B about his overdraft use as far back as February 2020. Nationwide's confirmed it stopped contacting customers about overdraft use during the pandemic but started sending Mr B letters again in July 2022. I also note that when Nationwide spoke with Mr B it asked him to complete an income and expenditure assessment, but he failed to do so. I agree with Nationwide that Mr B doesn't appear to have engaged after its calls with him in 2023. But I'm not persuaded that means Nationwide treated Mr B fairly.

In my view, there should've come a point when sending letters to Mr B or relying on him completing an income and expenditure assessment wasn't sufficient in terms of providing positive support. I think the regular overdraft reviews ought to have showed Nationwide Mr B was using the overdraft facility on an almost permanent basis. Other than a very few occasions, when Mr B was paid, the balance remained overdrawn and I note there were returned direct debits at times. I'm satisfied it should've been clear to Nationwide that the overdraft wasn't being used for short term lending, as designed.

I agree with the investigator that there should've come a point where Nationwide stepped in to assist Mr B, regardless of his input. And I'm satisfied that by April 2021 it should've been clear to Nationwide that Mr B's overdraft use wasn't sustainable. Having considered all the

available information, I'm satisfied that April 2021 is a fair point to say that Nationwide should've decided to take more direct action, like suspending the overdraft costs Mr B was incurring. So I'm going to tell Nationwide to refund all interest, fees and charges applied to Mr B's account from that date.

My final decision

My decision is that I uphold Mr B's complaint and direct Nationwide Building Society to settle as follows:

- Re-work Mr B's current overdraft balance so that all interest, fees and charges applied to it from 1 April 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Mr B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr B's credit file, it should backdate this to 1 April 2021.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr B, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Nationwide should remove any adverse information from Mr B's credit file. †

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr B a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 October 2024.

Marco Manente
Ombudsman