

The complaint

Mr S complains that Nationwide Building Society irresponsibly approved two loans which were unaffordable.

What happened

Mr S says he applied for two Nationwide loans in 2021 and 2023 which were unaffordable. He says appropriate checks were not carried out and he was in about £50,000 worth of debt at the time. Mr S says he had a severe gambling addiction and had previously told Nationwide about his vulnerabilities.

Nationwide says it carried out appropriate checks on both loan applications which were for £5,000 and £6,000. It says it checked Mr S's income and his credit file. Nationwide says it was unaware of Mr S's gambling and had no record of being told about it. It says Mr S's disposable income was more than enough for the loan repayments which were all made.

Mr S brought his complaint to us, and our investigator thought Nationwide ought to have carried out further checks. The investigator thought Nationwide was increasing Mr S's debt and his bank statements would have shown numerous gambling transactions. The investigator also thought Mr S's actual income was less than Nationwide calculated and recommended any interest be refunded or deducted from the balance owed.

Mr S says compensation should be paid and says he told Nationwide in around 2002 to 2005 about his gambling. He has provided his credit file and confirmed his income as £2,682 a month with an additional payment of about £145.

Nationwide doesn't accept that view and says it carried out appropriate checks.

My provisional decision

I issued a further provisional decision on this complaint and said as follows.

I explained that I had now considered the evidence of the 2021 complaint which I was previously unaware of. I said my provisional view was that I intended to uphold this complaint.

I made clear in my first provisional decision that I considered Nationwide had carried out appropriate checks and I didn't think it ought to have considered carrying out further checks. I also made clear that I didn't think Nationwide ought reasonably to have been aware of previous issues going back some significant time.

I then looked carefully at Mr S's complaint made about unaffordable lending for a different product which was made in January 2021. That complaint was ongoing at the time of the first loan application in around June 2021. I could see that Nationwide was clearly told Mr S had a lifelong illness that caused him to retire from his job. And that he would have affordability issues for life. I was satisfied that Mr S made clear to Nationwide that previous borrowing was unaffordable, and he was still impacted by that previous borrowing.

In those circumstances I said I would have expected Nationwide to have added notes of that complaint and affordability issues to Mr S's records. And considered that information when Mr S applied for the new loan in the months after being told that.

I said I would have expected Nationwide, if it had considered the information about Mr S that it was told, to have carried out further checks on Mr S's new application. It ought to have raised concerns that Mr S was in the process of complaining about unaffordable lending and providing information about his own personal vulnerabilities whilst at the same time applying for new lending. I thought that was a clear warning sign that ought to have triggered further questions about the lending.

I couldn't be sure what further checks Nationwide would have carried out, but I thought it ought to have carried out reasonable and proportionate checks in those circumstances. I thought it could have looked carefully at Mr S's bank account statements which would have shown the level of gambling taking place. I made clear that Mr S was entitled to gamble, but the level of gambling may have raised concerns about Mr S's financial stability when coupled with what Nationwide ought to have known about Mr S's health problems. I also thought it likely that if those checks were carried out that overall, it unlikely that Nationwide would have approved the two loans in those circumstances.

I appreciated that Nationwide says a vulnerability flag had not been raised, as Mr S applied for the loans online. I couldn't see why that made a difference and made clear Nationwide was clearly told about Mr S's health and other issues before it approved the lending. I thought it reasonable to expect Nationwide to have considered Mr S's application using all of the information it had access to.

Overall, my provisional view was that Nationwide ought to have carried out further checks on Mr S's loan applications for the reasons I explained. I accepted Nationwide was entitled not to consider events of some age and be expected to retain information going back some years. But here I thought Nationwide was being told in a complaint about unaffordability that there were health and other problems whilst at the same time providing two further loans. I said it follows that I thought if appropriate checks had been carried out on the first loan, then the second would not have been approved in any event.

I said I hope Nationwide would provide up to date details of the loans. I also said I intended to direct it to deduct any interest payments from the capital sum and refund any overpayments with interest added in the usual way if appropriate.

Both Mr S and Nationwide agree with my provisional 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.

Having done so I have come to the same overall view that I reached in my second provisional decision and for the exact same reasons. I do not consider compensation is appropriate here and am satisfied Mr S had the benefit of the loans so it's appropriate they are repaid.

Putting things right

Nationwide should rework the loans to remove interest and deduct repayments already made. If there is a balance owed to Mr S, then it should pay simple interest at 8% per year from the date of the payment to the date of the settlement. If Nationwide is required to

deduct taxation payable to His Majesty's Revenue and Customs, then it should provide a certificate of deduction in the usual way. If there is a balance owed to Nationwide, then it should agree an interest free affordable repayment plan with Mr S. Nationwide should remove any adverse information from Mr S's credit file as it's fairly agreed to do.

My final decision

My final decision is that I uphold this complaint and order Nationwide Building Society to follow the direction as set out above,

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 24 August 2024.

David Singh
Ombudsman