

The complaint

Mr R is unhappy that Nationwide Building Society ('Nationwide') refused his application for a credit card and couldn't tell him their reasons for this.

Mr R would like Nationwide to increase the offer of compensation they have made to him.

What happened

In November 2023 Mr R decided to transfer his banking to Nationwide.

Nationwide started the process to switch Mr R's current account to them. However when Mr R applied online for a Nationwide credit card account on 19 November 2023, Nationwide refused.

Mr R called Nationwide the next day to find out why this had happened. He expressed concern that Nationwide had suggested he re-apply for a card with a lower credit limit, but this had been declined too. Mr R asked Nationwide to reconsider his application, as he wanted to keep his current account and credit card with one provider. He queried whether his address had been an issue.

Nationwide did a manual review of Mr R's application, but they didn't overturn their lending decision.

Mr R raised a complaint with Nationwide. He wanted to know why he had been declined and for a card to be issued to him urgently - before his current account was transferred to Nationwide on 23 November 2023.

Nationwide couldn't fully respond before 23 November, but Mr R's current account transfer didn't take place in any event due to a typographical error in the paperwork. Mr R decided he no longer wished to bank with Nationwide, given they hadn't agreed to give him a credit card.

On 4 December 2023 Nationwide rejected Mr R's complaint, saying Mr R had not met their sensitive lending criteria.

On 8 December 2023 Nationwide offered Mr R the sum of £50 to compensate him for poor customer service during their complaints process, as Mr R had been disconnected from a telephone call and kept on hold for long periods of time.

On 15 December 2023, Nationwide emailed Mr R about their lending decision. They confirmed they didn't think Mr R was uncreditworthy, and said that his personal information was not the issue at hand – rather he didn't currently meet their criteria to be accepted for a credit card. They said they wouldn't share their lending criteria with Mr R as this was commercially sensitive information.

Mr R brought his complaint to our service, saying that he'd found Nationwide to be unreasonable and totally inflexible in their dealings with him, and that his experience with

Nationwide had been stressful and demeaning. Mr R thought Nationwide hadn't explained why they wouldn't lend to him, and he considered Nationwide should pay him a minimum of £250 for the distress and inconvenience they caused him.

Our investigator concluded Nationwide hadn't done anything wrong, so didn't uphold Mr R's complaint.

My provisional findings

I recently issued a provisional decision in relation to this complaint, explaining why I thought Mr R's complaint should be upheld in part, as follows:

"I have looked at all the evidence and information to decide what is fair and reasonable in the circumstances of this complaint.

I intend to uphold this complaint in part, and I've proposed that Nationwide pay £100 to Mr R. I'll explain why.

I think it would be helpful to say that the role of the Financial Ombudsman Service is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. It is not for this service to interfere with a firm's processes, systems or controls, nor to fine or punish businesses, as that is for the Financial Conduct Authority ('FCA') to consider as the regulator.

My role is to decide if Nationwide have acted fairly and reasonably towards Mr R here – and in doing so I've taken into account the relevant law and regulations, the regulator's rules, guidance and standards, codes of practice, and (where appropriate) what is considered to have been good industry practice at the relevant time.

And where I've considered evidence is incomplete, inconclusive or contradictory, I have made my decision on the balance of probabilities – which means I've based it on what I think is more likely than not to have happened given the available evidence and the wider circumstances.

The FCA requires firms like Nationwide to comply with its Handbook of rules and guidance ('FCA Handbook') in their dealings with customers. I consider the following Principles for Business, set out at PRIN 2.1, are relevant to the circumstances of this complaint:

- (i) Principle 6 requires firms to "pay due regard to the interests of its customers and treat them fairly."*
- (ii) Principle 7 requires firms to "pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading."*
- (iii) Principle 12, the Consumer Duty, requires firms to "act to deliver good outcomes for its customers."*

As part of the rules regarding the Consumer Duty, firms "must enable and support retail customers to pursue their financial objective" (set out at PRIN 2A.2.14, in the FCA Handbook). In Mr R's case I'm mindful that the FCA's guidance sets out that firms should consider, where they can't offer the relevant product or service, if they can provide the customer with information or support which helps them achieve their financial objective elsewhere, such as signposting a customer to a third party who can help them move forward.

I have also considered the Lending Standard Board's 'Standards of Lending Practice for Personal Customers', which Nationwide should follow. These standards set out, amongst other things, that firms should give customers the main reason for refusing credit where possible, and should give clear information about pre-application eligibility tools for their credit applications.

I think there are three aspects to Mr R's complaint. Firstly, Mr R says Nationwide prompted him to re-apply for a lower credit limit of £5,000 but then declined this application. Secondly, Mr R considers he hasn't been given the reason for his rejected application(s). Thirdly, as a result of all that's happened, Mr R feels he should be compensated beyond the £50 Nationwide offered him in relation to his poor customer service experience. I've considered these aspects in turn.

I've first considered Mr R's concerns that Nationwide told him to apply for a lower credit limit. In their submissions to this service Nationwide denied that they had prompted Mr R to apply for a second credit card or for a card with a lower limit. Nationwide said their system doesn't allow for this.

Nationwide described a two-stage process for their credit card application. The first stage is an eligibility check, and the second stage is the application itself. They said they'd only communicate about credit limits if a customer was eligible for a card, and this would be communicated after the first stage, before the customer made their full application.

On Nationwide's website, in the credit card application section, this two-stage process is set out as follows:

"When you apply...

We'll check to see if you are eligible first.

If you are, we'll tell you what APR and credit limit you'll be offered. You can lower the limit from what you've been offered if you like. This check won't leave a mark on your credit record that other lenders can see.

We'll check your credit history during your application.

If you are happy and continue with your application, we may leave a record of our check on your credit file that other lenders can see. This is a normal part of many credit application processes. It might affect whether you can get credit elsewhere for a short period of time."

Nationwide submitted that Mr R completed their eligibility check which involved them providing a 'soft quote' to him – so this wouldn't have left any visible record on his credit file. I have looked at Mr R's soft quote result within Nationwide's records, which shows he was ineligible for the credit card.

I have seen an image of Nationwide's automated message which is shown to ineligible customers at the soft quote stage. This says:

"You'll be declined for a Member Credit Card.

From the information you've provided we won't be able to approve your application... Important: You can choose to view your quote and continue with your application. But it could harm your credit rating..."

Nationwide were not able to show me the exact message displayed to Mr R on their website at this stage in the process, but I think it is likely to have mirrored the message above.

The automated message does not refer to credit limits. Following Nationwide's process, and what is said on their website, I wouldn't expect Mr R to have been shown any figures about credit limits as he wasn't considered to be eligible for the credit card.

The automated message indicates that to proceed with a credit card application a customer must tick a box to confirm they've read the message – thereby acknowledging they would likely be declined for the card, but they'd like to continue and that this may impact their credit file.

Nationwide's records show that within a minute of receiving his soft quote Mr R proceeded with an application for a credit card. To do this, I think it likely that Mr R had to tick a box to say he'd read his eligibility message.

Nationwide submitted only one application was made by Mr R. Having looked at Nationwide's file, I can see there's only a record of a single application. And Nationwide's records show they carried out one hard search on Mr R's credit file, which is consistent with there being one application made by Mr R.

I also note that Nationwide's website says that a customer can only make one application for a credit card in every 30 days. In light of this, I am minded to say it would be unlikely for Nationwide to consider two applications close together, or prompt a customer to re-apply for a credit card immediately after an unsuccessful application.

Based on the above, I am inclined to say that Mr R has gone through the two-stage process and checked his eligibility before proceeding with a single credit card application. I'm also minded to say Nationwide's eligibility check was reasonably clear, so I think Mr R would likely have been aware of what would happen if he made his application.

I recognise Mr R's sincerely held view that something different happened, and that somewhere along this process he was given a figure of £5,000.

I think it's possible this could've happened if Mr R had been eligible for the credit card at the soft quote stage – but this isn't borne out by Nationwide's computer records, which say he was ineligible for the card.

Nationwide's process is not to give any credit limit information to ineligible customers. I can't see any reason why Nationwide would deviate from this, given only eligible customers need that information.

I appreciate that this doesn't give Mr R then answers he's looking for. Sometimes it's not possible for this service to get to the bottom of what's happened – and that doesn't mean someone is wrong, or not to be believed. However, based on the evidence I have available to me at this time I can't reasonably reach a different conclusion about what happened when Mr R applied for the card. That is, that he followed Nationwide's two-stage process as I've described above.

The second aspect of Mr R's complaint is that he doesn't know exactly why he was declined for the credit card.

In submissions to this service Nationwide have confirmed that they treated Mr R as an existing customer when he applied for their members only credit card – so the status of his current account transfer had no bearing on his credit card application.

Nationwide also confirmed that Mr R's address and postcode did not present them with any issues locating his credit file, so this was not an obstacle.

It is clear from their email to Mr R on 15 December 2023 that Nationwide considered Mr R's personal information – such as the large pension income he stated on his application form – and performed a creditworthiness assessment. That email said it was something within Nationwide's own internal criteria that had led them to decline Mr R's application.

This is consistent with what Nationwide's representative told Mr R in a telephone call on 20 November 2023 - that he had been declined due to a "low internal credit score" and some of the factors considered would have been "the accounts he held with Nationwide, how long he had them and how they had been managed."

Nationwide were unable to provide this service with much more information than had been given to Mr R about why his application had been declined.

Generally speaking, Nationwide are at liberty to set their own criteria to help them decide who to lend to. And as I've said above, it is not my role to decide or direct what Nationwide should include as part of their lending criteria - ultimately this is a consideration for the FCA, and a business decision for Nationwide.

What I would expect is for Nationwide to be able to give the headline reason for their refusal as a way of assisting Mr R to pursue his financial objective here, which was to obtain a credit card with Nationwide to keep all his banking together.

I think it would be difficult for Nationwide to give specific reasons for the refusal of Mr R's application in these circumstances without divulging commercially sensitive information about different aspects of their lending criteria – which I wouldn't expect them to share with customers, or the wider public, as this might put their business at risk.

In these circumstances, I am minded to say that Nationwide have provided a reason for the refusal of Mr R's application – his low internal score - to the extent that this is reasonably possible.

I can understand how frustrating it is for Mr R to not know the actual reason(s) for refusal of the credit card, especially when he can't see anything amiss with his application. I hope Mr R is reassured to some degree that Nationwide have confirmed in writing that their decision is not a reflection of his financial standing, but a result of factors relevant to them as a business.

I would typically also consider whether Nationwide, given they were not in a position to give Mr R a credit card at that time, had reasonably considered what else they could have done to support Mr R in his objective of getting a credit card – for example, by signposting to a third-party that may be able to help Mr R. However, in this case Mr R retained his credit card held with his previous banking provider, so I don't think this has affected Mr R's access to a credit card.

The third and final aspect I've considered in relation to this complaint is that Mr R feels Nationwide haven't offered him adequate compensation for the distress and inconvenience he's experienced dealing with Nationwide, and Mr R's suggested a minimum of £250.

I recognise that Mr R found it particularly stressful that he wanted one banking provider for both his current account and credit card account, and at one stage it looked as though he'd have accounts with two different banks. However, I can't see any evidence that Nationwide guarantee a credit card with a current account switch, so I think being declined was a risk Mr R would've had to take when transferring his banking in any event. As his current account switch never took place, there is nothing to unwind here.

I understand Nationwide were prepared to offer £50 compensation for the way they handled calls when Mr R complained to try and sort out the problem with his credit card application.

Mr R submitted concerns about the challenges, hold times and poor level of customer service he experienced trying to get through to Nationwide so he could escalate and appeal the credit card application being declined. I've considered the available submissions on this point and think that Nationwide have already acknowledged they didn't provide the level of support to meet Mr R's needs in these circumstances. I think a fairer sum to reflect Mr R's experience in dealing with Nationwide about this matter would be £100 in total."

Responses to my provisional decision

In my provisional decision I gave the parties time to respond if they had anything further they'd like me to consider.

Nationwide said they accepted my provisional decision.

Mr R said that since receiving my provisional decision he'd become aware that his credit score with one of the credit reference agencies had been negatively impacted and he thought this was because of what had happened with Nationwide. Mr R emphasised once more that he has always managed his finances well. He thought the score should be corrected and that he should receive higher compensation.

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.

I've carefully considered Mr R's additional submissions and his new point about his credit score being impacted by these events. However, I'm not persuaded to depart from the findings of my provisional decision.

Mr R made the credit card application to Nationwide and, as I've set out above, I've not seen anything to suggest they acted unfairly or unreasonably when reaching their decision to decline a credit card for Mr R.

It is accepted that when an application is made for credit a hard search will be reported to an individual's credit file. This will typically stop being reported after 12 months. A search like this does not tell any other creditor searching an individual's credit file whether or not the individual was successful in their application for credit. After all, an individual may apply for credit but later decide, for their own reasons, not to take out the credit.

In the circumstances, I think it reasonable for Nationwide to have shown they completed a hard search on 19 November 2023 – they have a responsibility to report accurate and up to date information to credit reference agencies and Mr R did make an application to Nationwide, so this should be reflected.

It might also help Mr R to know that the scores given to individuals about their credit files are not credit scores any potential creditors see. Such scores are for the individual's own understanding of their financial standing and potential creditors will have their own lending criteria and scoring system.

If Mr R believes that Nationwide are not reporting correctly to the credit reference agencies then he can raise those concerns as a separate matter. Mr R may also find it of assistance

to seek guidance from the Money Advice Service (set up by the government to provide free and impartial money advice) in relation to any issues with his credit file.

I therefore maintain that I uphold Mr R's complaint in part and due to Nationwide not providing Mr R with the level of support needed during these events, I think Nationwide should pay Mr R £100.

Putting things right

Nationwide Building Society should pay Mr R £100 in total.

My final decision

For the reasons outlined, my final decision is that I uphold Mr R's complaint in part and Nationwide Building Society should put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 11 November 2024.

Clare Burgess-Cade
Ombudsman