

Complaint

Mr M has complained about personal loans Nationwide Building Society (“Nationwide”) provided to him. He says that these loans were unaffordable.

Background

Mr M has also complained about a credit card and an overdraft which Nationwide provided to him. However, we’ve looked at Mr M’s complaints concerning those products separately. And I want to be clear in stating that this decision only concerns Mr M’s unsecured loans with Nationwide.

Nationwide provided Mr M with a first loan for £15,000.00 in June 2016. The loan had an APR of 4.1% and a term of 60 months. This meant that the total amount to be repaid of £1,585.20, which included interest, fees and charges of £16.585.20, was due to be repaid in 60 monthly repayments of £276.42. Mr M settled this loan in full.

Loan 2 was for a total of £10,000.00. This loan was provided in November 2022. The loan had an APR of 6.9% and a term of 60 months. This meant that the total amount to be repaid of £11,793.60, which included interest, fees and charges of £1.793.60, was due to be repaid in 60 monthly instalments of £196.56.

One of our investigators reviewed what Mr M and Nationwide had told us. And he thought that Nationwide hadn’t done anything wrong or treated Mr M unfairly when providing him with either of these loans. So he didn’t recommend that Mr M’s complaint be upheld. Mr M disagreed and asked for an ombudsman to look at his complaint.

My findings

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 M’s complaint.

Having carefully considered everything, I’ve not been persuaded to uphold Mr M’s complaint. I’ll explain why in a little 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 M could afford to repay before providing him with his loans.

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 needed 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 says it agreed to Mr M's applications after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on credit searches it carried out. In its view, all of this information showed Mr M could afford to make the repayments he was committing to. On the other hand, Mr M has said he should never have been provided with these loans due to his overdraft usage and his other debts.

I've carefully thought about what Mr M and Nationwide have said.

The first thing for me to say is that this wasn't simply a case of Nationwide accepting over-optimistic declarations of Mr M's monthly disposable income at face value. Nationwide took steps to check Mr M's income and while its credit searches did show that Mr M had some existing debts, these weren't excessive (compared to the amount of his income) and at the time of the applications, at least, were being reasonably managed.

Given what Nationwide's credit searches showed, Mr M's income and the rest of the information declared, I'm satisfied that there was no obvious reason for it to question the rest of the information it had obtained during its assessments. As this information suggested that the monthly loan repayments were affordable, I don't think that it was unfair or unreasonable for Nationwide to reach this conclusion.

I note that Mr M has referred to the fact that he now has a large debit balance with his energy provider. I'm sorry to hear about what Mr M has told us and I sympathise with the difficult position that he now finds himself in. However, it's fair to say that energy prices have been increased significantly in the period since Mr M took out his loans. I don't think that Nationwide could reasonably have anticipated this volatility in energy prices when reaching its lending decisions. So I don't think that it would be fair and reasonable for me to now say that this means Nationwide ought to have declined Mr M's applications at the outset.

In considering whether Nationwide was reasonably entitled to lend to Mr M, I've also thought about the fact that Mr M said that he was going to use some of the proceeds of loan 2 to repay his existing Nationwide credit card balance. It's fair to say that the interest rate on loan 2 was significantly lower than the interest rate on Mr M's credit card. So Mr M was likely to make a significant saving on what he'd pay, provided he did clear his credit card balance as he said he would.

Equally, I also have to take account of the fact that this was a first consolidation loan Nationwide was providing Mr M with. So I think that it was reasonably entitled to believe that Mr M would clear his credit card balance as he said that he would and that Mr M would be left in a better position as a result of doing so.

I've also kept in mind that Nationwide provided a second loan to Mr M and that sometimes repeat borrowing in itself can be an indication of difficulty. But loan 2 was for a significantly lower amount than loan 1 and it had lower monthly repayments. Furthermore, Mr M had already successfully repaid loan 1 well before his application for loan 2. As this is the case, I don't think that Nationwide ought to have had concerns that it was increasing Mr M's indebtedness in a way that was harmful.

So while the pattern of lending here has seen me take a closer look at the individual applications, I'm satisfied that it wasn't unfair for Nationwide to have provided loan 2 to

Mr M on the basis that it ought to have realised that it was increasing Mr M's indebtedness in a way that way unsustainable or otherwise harmful.

Given the payments to these loans appear to have been affordable, as well as the break between loan 1 being repaid and loan 2 being taken out, I'm satisfied that Nationwide was reasonably entitled to proceed with Mr M's applications.

In reaching these conclusions, I've also considered whether the lending relationship between Nationwide and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Nationwide irresponsibly lent to Mr M or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, I don't think that Nationwide treated Mr M unfairly or unreasonably when providing him with either of his loans. And I'm therefore not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

Although I'm not upholding Mr M's complaint, I would remind Nationwide of its continuing obligation to exercise forbearance and due consideration, given Mr M has said about having difficulty making his payments and his deficit with his energy provider.

I would also encourage Mr M to get in contact with and co-operate with any steps that may be needed to review what he might, if anything, be able to repay going forward. Mr M may be able to complain to us – subject to any jurisdiction concerns – should he be unhappy with Nationwide's actions in relation to exercising forbearance over the remainder of the loan's term.

My final decision

For the reasons I've explained, I'm not upholding 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 12 May 2025.

Jeshen Narayanan
Ombudsman