

The complaint

Mr H complains Nationwide Building Society lent to him irresponsibly when it approved his applications for a loan and credit card despite being aware he struggles with gambling. He's also unhappy Nationwide allowed him to use his accounts to gamble.

What happened

Mr H opened a current account with Nationwide in December 2023. Shortly afterwards, in January 2024, Nationwide provided Mr H with a loan for £7,500 over a term of 24 months. Mr H thinks this was irresponsible. In summary, he says he had dealt with some very difficult personal circumstances which had in turn affected his mental health. As a result, he used gambling as a coping mechanism. Mr H says he told Nationwide about his mental health and gambling addiction, yet it still lent to him. Mr H says that despite telling Nationwide the funds would be used for a car, he instead spent it all on stocks and shares. In May 2024, Nationwide gave Mr H a credit card with a limit of £2,750, which he also thinks was irresponsible.

Later that year, Mr H went on holiday. While he was there, he withdrew money in a casino, which he used to gamble. He says he then contacted Nationwide who told him that he had switched off the gambling block on the account some months earlier, which is why the transactions could go through. Mr H also says he was advised to use his credit card to benefit from incurring no fees. So, he went back to the casino and used both his debit and credit card to withdraw more funds to gamble. Overall, Mr H says Nationwide's actions have had a very serious impact on his mental health.

Nationwide reviewed Mr H's complaint but didn't uphold it. In relation to the loan, it said Mr H initially met its lending criteria. And following a conversation with its Specialist Support Team, it thought it was appropriate to provide the loan. Nationwide acknowledged the spending Mr H carried out, but it reiterated that Mr H had removed the gambling block on his account some months earlier. It also explained the block would have only prevented card transactions and not bill payments sent to trading sites.

Nationwide also said the conversation it had with Mr H about using his credit card was to explain that he could use it to purchase essentials, such as food, without incurring a non-sterling transaction fee. Overall, it didn't uphold his complaint.

Mr H remained unhappy and brought his complaint to this service. Our Investigator reviewed the complaint and felt it should be upheld in part. He didn't think the loan had been lent irresponsibly, but the credit card had – and this had caused Mr H significant harm. He also didn't think Nationwide needed to refund the money Mr H spent on trading sites, or whilst in the casino.

Mr H disagreed with the opinion and reiterated his previous points. He said a full refund of all funds lost, plus the highest possible award for extreme stress should be recommended. Nationwide also disagreed with the opinion because it didn't think it was fair or reasonable to have expected it to have carried out a manual review of Mr H's credit card application.

Nationwide thought a manual review wasn't necessary because Mr H had passed all the assessments, and it wouldn't be practical to undertake manual checks without a reason to.

As neither party agreed with our Investigator's findings, this case was passed to me to decide.

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 considered everything, I'm upholding Mr H's complaint in part, and I'll explain my reasoning below. As Mr H's complaint is made up of several points, I'll address each one in turn.

Did Nationwide lend to Mr H irresponsibly when they approved his loan application?

The rules and regulations in place at the time Nationwide provided Mr H with the loan required it to carry out a reasonable and proportionate assessment of whether he could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be 'borrower' focused. This means Nationwide had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Mr H. In other words, it wasn't enough for Nationwide to consider the likelihood of it getting the funds back – it had to consider the impact of any repayments on Mr H.

Checks also had to be 'proportionate' to the specific circumstances of the lending. In general, what constitutes a proportionate affordability check will be dependent on a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, any indications of vulnerability or financial difficulty) and the amount/type/cost of credit they were seeking. I've kept all of this in mind when thinking about whether Nationwide did what it needed to before lending to Mr H.

Before lending to Mr H, Nationwide gathered information about his circumstances including his income, expenditure, and information about his credit profile. Amongst other information, it noted that Mr H had a monthly net income of £1,760 and made monthly payments of £482 towards unsecured debt. The information suggests Nationwide assumed some of Mr H's expenditure and worked out that he would have a monthly disposable income of around £548.

Overall, the information gathered suggested that the loan would be affordable for Mr H. It's important to note that even if I thought Nationwide ought to ask more questions about Mr H's circumstances – such as a more detailed account of his expenditure – the best way for me to understand what this would have likely revealed is to review Mr H's bank statements from the lead-up to the lending decision (when, as I understand it, Mr H banked elsewhere). However, Mr H was unable to provide these. Therefore, overall, there's nothing to suggest the lending was unaffordable.

Despite the lending appearing affordable, Nationwide didn't stop its checks there. It referred Mr H onto its Specialist Support Team to understand more about the nature of his loan application. I think this was reasonable in the circumstances. I say this because there had been recent contact between Nationwide and Mr H, unrelated to the loan application, that revealed Mr H had attempted some gambling transactions on his current account. So, whilst

the loan may have appeared affordable on a pounds and pence basis, I think Nationwide needed to complete further checks to understand whether it was responsible to provide the loan, given all the circumstances.

I've listened to the call that took place between Mr H and Nationwide's Specialist Support Team. The adviser asked Mr H questions about how he intended to use the funds. In summary, Mr H said he'd attempted to gambling transactions to test how well the gambling blocks worked, and in hindsight this may not have been the best decision, but assured the adviser he needed to know his account was secure as once that was confirmed gambling wouldn't be at the forefront of his mind. Regarding what the loan was for, Mr H said some of the loan would be used to buy a car and he gave assurances that he would be able to keep the funds safe. He also explained he hadn't gambled in over two years and the recent transactions he'd attempted to make on his current account were because he wanted to test Nationwide's ability to block the transactions, and whether they were better than his previous bank. Mr H also detailed his support network of medical professionals and the frequency in which he's in contact with them. And with the blocks, support of his parents and medical professionals, Mr H assured Nationwide's adviser he didn't think he would use the loan for gambling – rather he was going to use it to buy a car and to have a fresh start.

Overall, I agree with our Investigator that it seemed Mr H's intentions were to use the funds for a car. I think Nationwide asked enough questions on the call to establish whether it was appropriate to lend. And when I considering all the information and assurances Mr H provided during the call, I don't think it was unreasonable Nationwide to provide the loan.

Did Nationwide lend to Mr H irresponsibly when they approved his credit card application?

Around five months later, Mr H applied for a Nationwide credit card. In his application, he declared he had an annual salary of £27,500 and his house costs were the same as those declared in his loan application (£200). Following Nationwide's credit checks, Mr H's application passed its affordability assessment, and he was given a £2,750 credit limit.

While the application information suggests Mr H could afford the credit card, I can't agree that was sufficient for Nationwide to satisfy itself that giving Mr H access to further credit was affordable or sustainable. I say this given the fact Nationwide would have been aware he'd recently taken out a loan, and of Mr H's vulnerabilities – including the markers on his profile regarding his conversations with its Specialist Support Team.

Nationwide has argued it can't prevent all vulnerable customers from accessing credit. So, I need to make it clear that I'm not saying consumers should never be allowed credit if they had previously disclosed information about their vulnerabilities. However, given what Nationwide knew about Mr H's mental health and gambling addiction, I can't agree this isn't something that should have been factored into their lending decision. And given its lending process for Mr H's loan allowed it to review the application beyond their normal process (despite passing its affordability assessment), Nationwide has failed to explain or justify why further checks weren't carried out for the credit card application.

For me to determine what further checks were likely to have shown, I've reviewed Mr H's bank statements to identify if there were any indicators the borrowing may not have been affordable or sustainable. And had Nationwide carried out further checks, they likely would have shown that Mr H didn't use the loan for the purposes he declared to their Specialist Support Team's adviser. Instead, it would have seen much of Mr H's funds were being spent on competition and trading websites in the months prior to his credit card application. And given what they knew about Mr H's difficulties with gambling, this ought to have indicated that further borrowing would not be sustainable in Mr H's circumstances.

Nationwide might argue that trading isn't gambling in the traditional sense. However, they should be aware it isn't uncommon to see consumers who struggle with gambling to also use trading sites as an alternative. For clarity, trading alone isn't a reason to say someone shouldn't have access to borrowing. However, given what they knew about Mr H's circumstances, Nationwide ought to have known providing further borrowing was likely to cause him foreseeable harm as his pattern of spending had changed from what he'd previously shared with their Specialist Support Team.

So, in light of the reasoning above, I don't consider it was responsible for Nationwide to have approved Mr H's application for a credit card in May 2024.

Did Nationwide treat Mr H unfairly by allowing him to use his current account and credit card to gamble?

Mr H has also complained Nationwide allowed him to gamble funds from his current account and credit card, despite knowing he struggled with gambling.

I'm aware that shortly after opening his current account, Mr H applied a gambling block. So, I think it's worthwhile that I explain these blocks generally only prevent transactions where the retailer uses a merchant categorisation code that reflects the transaction is for gambling. So, if a different code is used, or gambling is funded via cash withdrawals or transfer of funds – then they won't be caught by the block. Also, it's not unusual for customers to be able to turn the blocks on and off, and this isn't something we'd usually expect a business, like Nationwide, to prevent a customer from doing. That's because, ultimately, it is for the individual customer to determine how they wish to manage their funds. But I do say this with the knowledge that when an addiction is involved, it can be extremely difficult for individuals to manage their funds.

Having listened to calls between Mr H and Nationwide in late December 2023 and January 2024, I've noted he had tested the gambling blocks to check if they worked. He explained they would help prevent him from gambling, alongside the other support tools he had put in place and his wider support network. So, it was good to see that Mr H was able to use the support Nationwide had available.

The evidence provided by Nationwide shows Mr H turned off the gambling block on 3 February 2024. That means after that date they were unable to block any gambling transactions where the relevant gambling merchant code was used. However, some of the transactions Mr H has complained about wouldn't have been caught by the gambling block, even if it hadn't been removed. That's because they were transactions to trading sites (which were processed as bill payments) and cash withdrawals in casinos. I appreciate Mr H has said Nationwide ought to have known he was using his money to gamble, but I can't agree that would have been feasible. While Nationwide has a duty to protect vulnerable customers, it isn't feasible or pragmatic for them to forensically analyse every transaction for every customer in real time. So, given the way Mr H was accessing his funds to gamble, the types of transactions he was carrying out, and the removal of the gambling block, I can't agree that Nationwide acted unreasonably by allowing those transactions to be processed.

Some of these issues occurred while Mr H was out of the country. Once Nationwide were aware, I consider it treated him with empathy and explained the gambling block had been removed. This allowed the block to be turned back on shortly after. I consider this was the right thing to do.

I've noted Mr H's complaint point about Nationwide allowing him to gamble with his credit card. However, the use of his credit was only discussed because Mr H had mentioned concerns about being charged non-sterling transaction fees. So, Nationwide's adviser

explained these wouldn't be charged on withdrawals from his credit card. This conversation occurred against the backdrop of Mr H's concerns with gambling, and as I've mentioned above, its advisers had explained what happened with the gambling block and how it worked. So, Nationwide had provided him the level of information and support I'd expect. I do acknowledge this may not have been enough support for Mr H at that time, but I have to balance that with the limitations in what Nationwide was able and obligated to do.

I do empathise with the difficult time Mr H experienced while he was abroad and the ongoing impact this had on him. But for my reasons above, I won't be asking Nationwide to refund the money Mr H spent on gambling transactions.

Putting things right

As detailed above, I don't think Nationwide treated Mr H fairly when they gave him a credit card. Because of this, I don't think it's fair for it to be able to charge any interest or charges under the agreement. But I think Mr H should repay the amounts he borrowed. Therefore, Nationwide should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.
- If the rework results in a credit balance, this should be refunded to Mr H along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. Nationwide should also remove all adverse information regarding this account from Mr H's credit file.
- Or, if after the rework there is still an outstanding balance, Nationwide should arrange an affordable repayment plan with Mr H for the remaining amount. Once Mr H has cleared the balance, any adverse information in relation to the account should be removed from his credit file.

*HM Revenue & Customs requires Nationwide to deduct tax from any award of interest. It must give Mr H a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

I also consider Nationwide's lending decision caused Mr H foreseeable harm given they were aware of the severity of his struggles with his mental health and gambling. As its decision to lend impacted Mr H's mental health, when he had already told them about his vulnerabilities, I also consider they should pay him £750 in recognition of their mistakes.

I also have considered whether Nationwide acted unfairly or unreasonably in any other way, including if its relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have detailed above results in fair compensation for Mr H in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I'm upholding Mr H's complaint about Nationwide Building Society. To resolve this complaint, Nationwide should do as I've detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 April 2025.

Sarrah Turay
Ombudsman