

The complaint

Miss F complains Nationwide Building Society (NBS) acted irresponsible when they agreed to her opening a credit card account, and subsequent credit limit increases.

What happened

In November 2022 Miss F applied for a credit card account with NBS. Her application was successful, and NBS applied a credit limit of £6,500. In July 2023 Miss F's credit limit was increased to £7,500 and in July 2024 this was further increased to £11,000. Miss F said NBS should have seen she was making substantial gambling transactions and by lending to her they were providing funds for her to do this. She complained to them.

NBS said they'd used internal and external data to assess Miss F's affordability for the lending. They'd verified her income, checked her housing costs with her and used statistical data to determine her cost-of-living outgoings. Based on this evidence they considered the lending to be affordable for Miss F for the opening of the account and the first credit limit increase. But they agreed they shouldn't have increased Miss F's credit limit in July 2024. And had taken action to put this right.

Miss F wasn't happy with NBS' response and referred her complaint to us.

Our investigator considered the opening credit limit and the increased credit limit in July 2023 as NBS had resolved Miss F's complaint about the credit limit increase in July 2024. She said the checks NBS had done were proportionate and reasonable. And their decision to lend to Miss F was fair.

Miss F didn't agree and has asked for an ombudsman 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.

I appreciate Miss F will be disappointed with my decision but having done so I'm not upholding her complaint. I'll explain why.

In reaching my decision I'm only considering the opening of the account and the subsequent credit limit increase to £7,500. NBS has already accepted they shouldn't have increased Miss F's credit limit in July 2024. So, I won't comment further on this credit limit increase.

I've considered the relevant rules, guidance and good industry practice when someone complains about irresponsible and/or unaffordable lending. There are two overarching questions I need to consider what's fair and reasonable in all the circumstances of the complaint. These are:

1. Did NBS complete reasonable and proportionate checks to satisfy themselves that Miss F would be able to repay the credit in a sustainable way?

- a. if so, did NBS make a fair lending decision?
- b. if not, would reasonable and proportionate checks have shown that Miss F could sustainably repay the borrowing?

2. Did NBS act unfairly or unreasonably in some other way?

So, before agreeing to approve or increase the credit available to Miss F NBS needed to make proportionate checks to determine whether the credit was affordable and sustainable for her.

There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. What's important to note is that Miss F was provided with a revolving credit facility rather than a loan. And this means that NBS was required to understand whether the credit could be repaid within a reasonable period, rather than in one go.

I've looked at what checks NBS said they did when initially approving Miss F's application.

NBS said they looked at internal and external information. Miss F had said her annual income was £38,597. NBS said they checked information provided by Credit Reference Agencies (CRA's) and information that Miss F provided before approving her application.

The information verified Miss F's declared gross annual salary of £38,597. She'd credit commitments of £102.05. and she told NBS her monthly rent was £340. NBS said they used statistical data to determine Miss F's cost of living to be £632.76 a month and council tax to be £94.66. The information showed no signs of any recent financial vulnerability as Miss F was up to date with her payments and while there was evidence of a default this was historic, there weren't any county court judgements. Based on this information Miss F had a disposable income each month of £1,235.21.

When entering into a regulated credit agreement for running account credit, NBS should assume that Miss F would draw down the entire credit limit at the earliest opportunity and would be able to repay by equal instalments over a reasonable period. I'd expect that this would have seen Miss F have to pay around £325 a month. Given her income and credit history I think this would have been sustainable for her. So, I think NBS made a fair lending decision to approve Miss F's credit card application.

I've looked at the information available to NBS when they increased Miss F's credit limit by an additional £1,000 to £7,500 in July 2023. Added to the information that NBS had available to them from the CRA and verification of Miss F's increased income to £41,878. NBS could also see how Miss F managed her credit card account. This showed her accounts were being managed well. Her indebtedness was low as her debt-to-income ratio was showing as 3%. And Miss F was managing her credit card account well, with no signs of missed payments or over the limit fees.

The increased limit would have meant Miss F would be further indebted by £50 more each month if she again drew down the increased amount in full. As Miss F often paid more than the minimum amount each month, I think NBS made a fair lending decision to approve her credit limit increase to £7,500. As Miss F had sufficient disposable income to sustain her repayments over a reasonable period.

Miss F has provided her bank statements for around the time of the increased credit limit,

these don't show any visible signs of financial vulnerability such as gambling activity. She does use her overdraft facility for a short period after making an investment of £500. But as this was non-essential spending, I don't consider this showed Miss F was experiencing financial difficulty. I understand Miss F said NBS should have seen she was making gambling transactions, but I haven't seen any of this until around May 2024 so after the initial opening and first credit limit increase.

I'm pleased NBS identified that they shouldn't have lent further to Miss F in July 2024 as she was by this time showing signs of financial vulnerability. And they have looked to put this right.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. But for the reasons I've already given, I don't think NBS lent irresponsibly to Miss F or otherwise treated her unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 12 March 2025.

Anne Scarr
Ombudsman