

The complaint

Mr P complains that Nationwide Building Society lent irresponsibly when it approved his credit card application and later increased the credit limit.

What happened

Mr P applied for a credit card with Nationwide in July 2021. In his application, Mr P said he was employed with an income of £25,000 a year. A credit search found Mr P owed around £22,000 in other unsecured debts. Nationwide applied household expenses and housing costs to Mr P's application. Nationwide applied its lending criteria and says Mr P had an estimated disposable income of around £800 a month after meeting his regular outgoings. Nationwide approved Mr P's application and issued a credit card with a £6,250 limit.

Nationwide increased the credit limit to £7,250 in October 2021, £8,300 in April 2022 and £9,300 in October 2022. Nationwide says it looked at Mr P's credit card history and credit file before increasing the limit.

Last year, Mr P complained that Nationwide lent irresponsibly and it issued a final response. Nationwide said it had carried out the relevant lending checks before approving Mr P's application and increasing the credit limit. Nationwide didn't agree it lent irresponsibly and didn't uphold Mr P's complaint.

An investigator at this service thought the size of the credit limits offered to Mr P when compared against his income and existing debts should've caused Nationwide to carry out more detailed checks before approving the application and increasing the credit limit. The investigator looked at Mr P's bank statements for the months before each lending decision Nationwide made but, ultimately, wasn't persuaded it lent irresponsibly. Mr P asked to appeal, so his complaint has been passed to me to make a 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.

Before agreeing to lend or increasing the credit limit, the rules say Nationwide had to complete reasonable and proportionate checks to ensure Mr P could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrower's circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate. Lenders may choose to verify a borrower's income or obtain a more detailed picture of their circumstances by reviewing bank statements for example. More information about how we consider irresponsible lending complaints can be found on our website.

I've set out the information Nationwide used when considering Mr P's application above. I can see it took Mr P's income of £25,000 into account and also applied outgoings for his housing and living expenses each month. But I think the investigator made a reasonable point when they said Mr P already owed around £22,000 in other unsecured debts and the original credit limit of £6,250 was reasonably high. In the circumstances, I think it would've been prudent for Nationwide to have considered a more comprehensive set of lending checks before approving Mr P's application. One option Nationwide had would've been to look at Mr P's bank statements to get a clearer picture of his circumstances. I've taken that approach and looked at Mr P's bank statements for the three months before his application to Nationwide.

Mr P's bank statements show he had regular outgoings for things like his existing credit, insurance, mobile phone and utilities that averaged around £630 a month. Mr P's average income was £1,518 in the three months before his application was made. That means Mr P had around £888 a month left after meeting his regular outgoings to cover his remaining living expenses. I also note Mr P was making regular transfers for savings during this time. Mr P's bank account was well maintained with no obvious signs he was over committed or experiencing financial difficulties.

In my view, Mr P's bank statements show he had sufficient disposable income to be able to sustainably make payments to a new credit card with a limit of £6,250. I'm sorry to disappoint Mr P but I'm satisfied it's more likely than not that if Nationwide had carried out additional lending checks, like reviewing his bank statements, it would've still approved his application in July 2021. I haven't been persuaded that Nationwide lent irresponsibly when it approved Mr P's application in July 2021.

I've carried out a similar review of Mr P's bank statements for all the credit limit increases Nationwide went on to approve. On each occasion, I found Mr P had a reasonable disposable income after meeting his existing commitments and that his bank account was well maintained. I can see that Mr P continued to make regular transfers to his savings and was maintaining his existing outgoings. And I think it's reasonable to say Mr P's credit card account was well maintained with no obvious evidence of financial difficulties. No new adverse credit, missed payments or defaults were noted by Nationwide on Mr P's credit file during the period it was increasing his credit limit. So whilst I think Nationwide's lending checks ought to have gone further, I'm satisfied it's most likely additional checks would've shown Mr P was able to sustainably afford repayments to a credit card with limits up to £9,300. I'm very sorry to disappoint Mr P but I haven't been persuaded Nationwide lent irresponsibly or treated him unfairly by increasing his credit limit. As I haven't found that Nationwide lent irresponsibly, I'm unable to uphold Mr P's complaint.

I've considered whether the business acted unfairly or unreasonably in any other way including whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Nationwide lent irresponsibly to Mr P or otherwise treated him 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

My decision is that I don't uphold Mr P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 4 June 2025.

Marco Manente
Ombudsman