

The complaint

Mr L complains Nationwide Building Society irresponsibly provided him with an unaffordable overdraft facility. Mr L also complains about Nationwide Building Society's service, including its decision to not write-off his outstanding balance.

What happened

Nationwide provided Mr L with an overdraft facility with the following details:

Date	Existing Limit	Increase	New Limit
January 2024	0	£50	£50
February 2024	£50	£100	£150
March 2024	£150	£850	£1,000

Mr L complained to Nationwide in May 2024 about irresponsible and unaffordable lending. Mr L also said Nationwide should write off his outstanding debt due to his health and financial circumstances.

Nationwide paid Mr L £75 in recognition of customer service failings but didn't uphold his complaint about irresponsible and unaffordable lending, nor did it agree to his request for the outstanding balance to be written off. Mr L asked our service to review his complaint.

One of our investigators most recently upheld Mr L's complaint. She said Nationwide should write off the outstanding debt, based on the medical evidence Mr L had provided, and her view on the likely success of repayment being made within a reasonable period of time. She also recommended Nationwide pay Mr L a further £150 for distress and inconvenience.

Mr L accepted our investigator's view; Nationwide didn't and asked for an ombudsman's review.

I recently issued a provisional decision where I set out, with reasons, my initial thoughts on this case and what I was intending to decide.

The below is an extract from my provisional decision:

"The information in this case is well known to Mr L and Nationwide so I don't intend to repeat it in detail here. While my decision may not cover all the points or touch on all the information that's been provided, I'd like to assure both parties that I've carefully reviewed everything available to me; but I've focused my findings on what I consider to be the key points and relevant facts. I don't mean to be discourteous to Mr L or Nationwide by taking this approach, but this simply reflects the informal nature of our service."

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website.

When providing Mr L with the overdraft limits Nationwide needed to complete proportionate checks to ensure they were sustainably affordable for him. There isn't a set list of checks Nationwide needed to conduct, but we'd expect the checks to be proportionate to the terms of lending being provided, and the information it knew or ought reasonably to have known about Mr L.

And it isn't sufficient for Nationwide to just complete proportionate checks – it must also consider the information it obtains from these checks to make fair lending decisions. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

Mr L has said the overdraft limits shouldn't have been provided because of his health and that he only receives benefit income. Each lending event must be considered individually, and it wouldn't ordinarily be reasonable for a business to refuse lending solely on the basis of an individual's health or source of income. But, where a business has knowledge of certain facts or information about an individual, it should reasonably take this into consideration where relevant.

Nationwide says it completed automated checks when providing Mr L with the original overdraft limit and each limit increase. It's said the information it obtained and was considered through its automated checks didn't cause it any concern that warranted a manual review or more detailed checks. It therefore says Mr L's lending requests were reasonably approved.

The overdraft limit of £50 in January and limit increase to £150 in February 2024

The initial limits of £50 and £150 were relatively modest in value. In both instances Nationwide has said its automated checks assessed the limits to be affordable and they were provided. Given Nationwide was able to identify Mr L's income and non-discretionary expenditure as well as commitments to existing credit, I don't think its decision to provide these limits was unfair.

I say this because the results of the checks suggested Mr L had a reasonable level of disposable income each month, which he could have used to repay these limits within a reasonable period of time.

So, given the information Nationwide obtained I consider it completed proportionate checks and went on to make fair lending decisions when providing Mr L with the overdraft limits of £50 and £150.

The limit increase to £1,000 in March 2024

Nationwide has said the same automated checks were completed before the limit increase in March 2024; and that it had no concerns from the information it obtained that Mr L wouldn't be able to sustainably afford this increased limit.

I've carefully considered Nationwide's position, but I'm not currently persuaded by it.

I say this because within a month of the last limit increase Mr L returned to Nationwide for further borrowing, increasing his overdraft limit by a significant amount compared to the previous limits. By this point Nationwide had now received three lending requests from Mr L within the space of around two months; and Mr L was requesting a new limit that was 20 times the size of his initial request. Nationwide's checks also showed that since the initial limit was provided just two months prior, Mr L's external debt had increased by over £1,000.

On this basis I'm not satisfied that the automated checks Nationwide completed were at a level that was proportionate to the information it had obtained and had available to it. By this lending request I consider Nationwide ought reasonably to have conducted more detailed checks, including taking into account Mr L's recent management of his account, as well as what it knew about Mr L's behaviour and management of previous lines of credit with Nationwide.

A more detailed review would have shown Mr L had a reasonable level of disposable income on a monthly basis, when taking into account his evidenced income, non-discretionary expenditure and commitments to existing lines of credit. So, on a strictly pounds and pence basis an increased limit of £1,000 looked affordable for Mr L.

However, a review of Mr L's history with Nationwide would have identified he hadn't been able to maintain an existing modest overdraft limit of £300 with Nationwide from late 2021. A formal payment arrangement was put in place which was reported to Mr L's credit file in late 2021 and early 2022, with the overdraft facility being removed when the overdrawn balance was repaid. I've seen Mr L had made new requests for an overdraft limit in 2022 and 2023 which were automatically declined by Nationwide; due to adverse data being reported by credit reference agencies, and no doubt Mr L's management of the previous facility.

Mr L raised a complaint with Nationwide in 2021 about financial difficulties in which he provided it with information about his health and financial circumstances. This included details about him being unable to work, that his income was solely made up of benefits, and that he was a compulsive spender. The notes detail Mr L had asked Nationwide to reduce his overdraft limit in 2021 to support him in reducing his debts and to stop his compulsive spending. So, from the information I've seen Nationwide was on notice from at least 2021 that Mr L was a vulnerable consumer and, I consider, someone who's interactions and requests needed a higher level of assessment and consideration than its standard automated checks.

I consider Nationwide should have taken all of this information into account when assessing Mr L's request to increase his overdraft limit to £1,000 in March 2024; and that it ought to have reasonably concluded that providing Mr L with an overdraft limit of this level posed a significant level of risk that it wouldn't be sustainably affordable for him to repay.

So, I'm not currently persuaded Nationwide made a fair lending decision when increasing Mr L's overdraft limit to £1,000, and it therefore follows it needs to take action in order to fairly resolve this complaint.

Mr L's request for the outstanding overdraft balance to be written off

As part of his complaint to Nationwide Mr L asked it to write off the outstanding balance he'd accrued. He requested this on the basis of his health and financial circumstances.

Nationwide reviewed Mr L's request and declined to write off his outstanding balance, making him aware of its decision in late June 2024. It did this on the basis that the financial information provided by Mr L suggested he could make payments greater than the £1 per month he'd suggested, as its review showed Mr L had around £75 disposable income remaining per month. It therefore concluded Mr L could use all or some of this disposable income to repay his outstanding debt with Nationwide within a reasonable period of time.

Nationwide also says a review of Mr L's credit file appeared to show he was making monthly payments to some of his other unsecured lenders in excess of contractual minimum payments, rather than reduced payments or token payments as he was requesting from

Nationwide. It's also said Mr L's credit file showed relatively small existing balances on other lines of credit, and that payments to these accounts were up to date.

Mr L has asked our service to consider directing Nationwide to write off his outstanding balance. In support of his request he's provided us with a lot of evidence setting out his historic and ongoing health and financial circumstances. He's said there's little prospect of him repaying the debt within a reasonable period of time; because his monthly disposable income doesn't support payments of more than £1 per month towards the outstanding debt.

I am sorry to hear of Mr L's health and financial situation. I've very carefully considered the testimony and evidence he's provided; but I'm not currently persuaded he isn't in a position to be able to repay the outstanding debt with Nationwide within a reasonable period of time.

I say this because Mr L's evidenced income, non-discretionary expenses and commitments to existing credit do show on a pounds and pence basis that Mr L has a reasonable level of disposable income on a monthly basis, as Nationwide had concluded. So, it therefore follows it's reasonable that this could be used in full or part to repay the outstanding debt.

Not long after the overdraft was increased to £1,000 Mr L appears to have made a number of larger purchases for goods. So, while I don't consider Nationwide should have provided Mr L with this level of available credit, he has had use of the funds that Nationwide provided, so it's reasonable that Nationwide looks to recover the debt.

Around the time Mr L obtained this lending from Nationwide he also obtained credit from a number of other providers. Mr L confirmed to our service in September 2024 that two other lenders had written off the outstanding balances he owed them, and another had reduced his outstanding liability by half. This suggests Mr L no longer has the same financial obligations to existing creditors as he had at the time Nationwide considered his write off request in June 2024; suggesting more of his disposable income could now be used to make repayments to Nationwide.

So, based on the information currently available to me, I can't conclude it's unreasonable for Nationwide to look to recover the outstanding debt.

Did Nationwide act unfairly or unreasonably in any other way

Mr L has made our service aware that he continues to receive correspondence from Nationwide asking him to check his account, but that the account is now defaulted, and he no longer has online access to it. He's also said Nationwide continue to ask him to make token payments to the outstanding debt.

I can appreciate Mr L receiving correspondence requesting him to check his account will be frustrating, especially when he no longer has online access to it. And that Mr L doesn't feel Nationwide's requests to make token payments to the outstanding debt to be reasonable, given he considers it should write off the debt.

But as I've found above, I don't consider it unreasonable for Nationwide to continue to look to recover the debt. So, I don't think it's unreasonable that it asks he continues to make token payments while his complaint is with our service.

While it is asking him to review his account, Mr L is aware that it has been defaulted, that he can no longer access it, and that his complaint is being reviewed by our service. So, while the correspondence will no doubt be frustrating, unless Nationwide has been unreasonable in its communications with Mr L, I can't conclude it's acted unfairly here."

Nationwide accepted my provisional decision; Mr L didn't. He provided many emails with testimony and screen shots of further medical and financial information for my consideration. In summary, Mr L maintained his position that based on his health and financial circumstances, he isn't in a position to repay Nationwide more than £1 per month, and he therefore wouldn't be able to repay the debt within a reasonable period of time.

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.

This includes all of the further submissions Mr L has provided in support of his arguments.

Having done so, I've not been presented with any new information or evidence which leads me to conclude I should depart from the findings reached within my recent provisional decision. I appreciate this will be disappointing to Mr L.

While Mr L has presented more information and evidence about his health and financial circumstances, it doesn't change my current thoughts on what is a fair outcome in this complaint.

I say this because some of the information had already been provided and I'd reviewed when reaching my initial findings; and the new evidence Mr L has provided doesn't set out a different position than what I'd already identified from both parties previous submissions.

It's clear that Mr L's health and financial circumstances mean he is a vulnerable individual, and Nationwide should treat him as such. But as I've set out within my provisional decision, although I agree Nationwide shouldn't have provided him with an overdraft limit of £1,000, Mr L has had use of the funds. While affordability calculations Nationwide complete, based on the information Mr L provides, suggest he has a disposable income to repay the debt within a reasonable period of time, I consider it's fair Nationwide continue to engage with him for repayment of the debt.

As part of Mr L's response he's said he should be able to lead a normal life, and that his benefit income shouldn't solely be used to pay for essential living costs and to repay debt. While I understand Mr L's comments, I don't consider it unreasonable that his disposable income be used, at least in part, to repay his outstanding debt with Nationwide.

I do accept Mr L's testimony that having to call Nationwide or visit a branch to make payment on a monthly basis is inconvenient, especially given his health; and that having other methods of being able to repay the debt would be beneficial.

Nationwide has confirmed in its response to my provisional decision that it will engage with Mr L to arrange a suitable repayment plan for the outstanding debt; and that it will work with him to arrange a more convenient way for him to make payments. So, I'm satisfied Nationwide will look to ensure it supports Mr L as best as it can with its engagement and recovery of the debt in future.

Mr L asked about our investigator's recommendation that Nationwide pay an additional £150 for distress and inconvenience, in addition to the amount of £75 it has already paid during the complaint process. As I'm not directing Nationwide to write off the outstanding balance, and as I don't consider the actions or service I've seen to have been unreasonable, I'm not directing it to pay any further redress in addition to the £75 it has already paid.

Finally, I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm currently minded to award in this case, as set out below, results in fair compensation for Mr L in the circumstances of his complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I acknowledge my final decision will be disappointing to Mr L. As I've previously set out, by reaching this decision I'm in no way doubting the testimony he's provided about his health and financial situation. But I must reach a decision that is fair and reasonable to both parties to the complaint, based on all of the evidence available to me from both sides.

Putting things right

As I consider Nationwide didn't make a fair lending decision when increasing Mr L's overdraft limit to £1,000 it needs to take the following action:

- Re-work Mr L's current overdraft balance so that any additional interest, fees and charges applied as a result of the overdraft limit increase from March 2024 onwards are removed. This means that from March 2024 onwards interest can only be charged on the first £150 of any overdrawn balance.

AND

- As an outstanding balance will remain on the overdraft once these adjustments have been made, Nationwide should engage with Mr L to arrange a suitable repayment plan for this. Once the outstanding balance has been repaid, Nationwide should remove any negative information reported to Mr L's credit file relating to this account.

If Nationwide has sold this debt to a third party, it should either engage with the third party to ensure the above redress is completed; or it should consider buying back the debt to make this redress. Nationwide may consider buying back the debt if it has been sold to be a more sensible option given it has confirmed it will look to support Mr L with options to repay the debt.

I would take this opportunity to remind Nationwide of its obligations to treat Mr L fairly and sympathetically in all of its interactions with him; and ensure he is provided with the service and support he should receive as a vulnerable customer.

My final decision

My final decision is that I'm upholding Mr L's complaint about Nationwide Building Society and I direct it to take the action as set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 June 2025.

Richard Turner
Ombudsman