

The complaint

Mr L complains that Nationwide Building Society was irresponsible in its lending to him. He wants his debt written off or substantially reduced and compensation for the stress he has been caused.

What happened

Mr L was provided with a £15,000 loan by Nationwide in February 2022. The loan term was 36 months and Mr L was required to make monthly repayments of £487.41.

Mr L said that when he applied for the loan, he had a severe gambling problem and had lost substantial amounts of money. He said he was living month by month off his wages and was struggling with his mental health. He said that Nationwide shouldn't have provided him with the loan and that the loan made his situation worse.

Nationwide issued a final response to Mr L not upholding his complaint. It said that all the necessary checks were performed before the loan was provided and these gave it no reason to decline Mr L's application. It said that Mr L declared he was self-employed with a monthly income of £2,500 and that based on the data available it found the loan repayments were affordable for him.

Mr L referred his complaint to this service.

Our investigator noted the checks that Nationwide undertook and also that Mr L was an existing customer of Nationwide. She noted the size of the loan and repayments and thought that Nationwide should have checked the data it gathered against what it could see on Mr L's statements. She thought that had this happened, Nationwide would have seen that certain payments into Mr L's account were from his business account which was overdrawn at the time. She then looked at the other income and expenses and based on these she thought the loan repayments weren't sustainably affordable for Mr L. She also noted that Mr L had spent more than his income on gambling in the three months leading up to the loan. Given this she upheld this complaint and recommended that Mr L only be required to pay back the amount he borrowed and once this had happened, she said that any adverse information should be removed from his credit file.

Nationwide didn't agree with our investigator's view. It said that its checks were proportionate and as these didn't raise concerns it wasn't required to look at Mr L's account statements. It noted our investigator's comment about the income from a business account and stated it wouldn't be required to obtain copies from these accounts. Nationwide also challenged the gambling transactions that our investigator had included in her assessment and said these payments weren't to gambling sites.

Mr L responded to our investigator's view saying that had Nationwide carried out adequate checks it would have seen he was heavily reliant on his overdraft and gambling making the loan unsustainable and unaffordable from the outset. He said the unaffordable lending had an adverse impact on his mental health causing him anxiety and depression and noted that the loan had an adverse impact on his credit file over an extended period. Given this he

thought that his loan should be reduced or written off and that he should receive compensation for the emotional and psychological impact he had suffered. He also said that any adverse information should be removed from his credit file.

As a resolution wasn't agreed, this complaint was passed to me, an ombudsman, to issue a decision.

My provisional conclusions

I issued a provisional decision not upholding this complaint. The details are set out below.

Mr L was provided with a £15,000 loan in February 2022. He was required to make 36 monthly repayments of around £487. Given the size of the loan and the repayments, we would expect Nationwide to have ensured it had a clear understanding of Mr L's income and expenses before lending to ensure it fully understood his financial situation and was satisfied that the loan would be sustainably affordable for him.

Before the loan was provided, Nationwide gathered information about Mr L's employment and income, his residential status and the purpose of the loan. Mr L declared the loan was for consolidation, that he was self-employed with a net monthly income of £2,500 and was a private tenant. Mr L declared costs of £250 for rent, £20 for ground rent / service charge and £70 child support. Nationwide used credit reference agency data to validate Mr L's income and used his credit report to identify his payments for existing credit commitments. It then included estimates of his other living and housing costs. Based on its calculations it found Mr L had monthly disposable income after the Nationwide loan repayments of around £818.

While Nationwide's checks suggested the loan repayments would be affordable for Mr L, in this case, I think that further checks should have been undertaken before the loan was provided. I say this because Mr L was provided with a large loan and while he appeared to have limited existing credit commitments, the Nationwide repayments would account for a sizeable portion of his net monthly income. Mr L had said he was self-employed and while an income validation was carried out, as Mr L was an existing Nationwide customer, I think it would have been reasonable for Nationwide to have checked his account statements to fully understand his income and any variability in this to ensure Mr L would be able to sustainably manage the repayments over the loan term. I also think that Nationwide should have used Mr L's account statements to understand his actual expenses rather than rely on estimates.

I have therefore considered what proportionate checks would have identified. I note Nationwide's comment that it wasn't required to request copies of Mr L's business bank statements, and I agree with this. However, as noted above, I think Nationwide should have looked at the information available to it in Mr L's Nationwide statements, and I have used this information along with the other information submitted, to assess what would likely have been identified had further checks taken place.

Mr L's Nationwide statements show him receiving income for his work from a business and also individuals which is reasonable given the nature of his work (I have excluded payments that Mr L has identified as not being linked to his work). In the three months leading up to Mr L's Nationwide loan application he received an average income of around £2,500 which was the amount he had declared. While the income figure was recorded as net monthly income it appears that it was a gross income figure and so his tax costs needed to be considered. While his income varied, he was receiving a reasonable amount each month.

Mr L said he was a private tenant, but his statements do not show any payments for rent or other associated housing costs. Mr L has explained that he was living with his girlfriend at

the time, and she was paying these costs. I think it reasonable to accept that had Nationwide asked Mr L about his costs, or carried out other checks it would have identified this.

Looking through Mr L's account statements these show him paying certain regular costs including insurance, car-related costs and payments for his communications/mobile contracts and payments for his general living costs such as food and fuel. Mr L was also making a monthly payment of £400 towards his tax which was in line with the amount that would be due on his £2,500 monthly income. The total of these costs averaged around £1,105 a month.

I have looked at Nationwide's results from its credit check and also at the credit report Mr L has provided. Nationwide's checks recorded that Mr L had no county court judgements or defaults and was up to date on his accounts. He was recorded as having no unsecured monthly credit payments and a credit card balance of £564. Mr L's credit report doesn't suggest any additional credit commitments at the time (aside from his communications contract), and while it does show defaulted accounts, these all occurred after the Nationwide loan was given. Adding Mr L's existing credit commitments to his other costs would give average monthly costs of around £1,134.

Based on the information I have seen, I do not think that had Nationwide carried out further checks it would have identified the loan to be unaffordable for Mr L.

I have therefore considered whether there were any other reasons why the loan shouldn't have been provided. As noted above, Mr L's credit report didn't raise any concerns at the time. Mr L has said he was spending large amounts on gambling and has given details of the sites he was using. These sites were investment platforms and so I can't say that an issue with gambling would have been identified through further checks. I note Mr L's comment about using another account to fund his gambling but, in this case, I think that Nationwide was only required to consider the information contained in the Nationwide account statements. As I have nothing to suggest that Mr L informed Nationwide at the time about an issue with gambling, I do not find I can say that Nationwide was required to do anything further beyond the additional checks noted above. And as these suggested the loan to be affordable for Mr L at the time it was provided, I do not find I can uphold this complaint.

I've also considered whether Nationwide acted unfairly or unreasonably in some other way given what Mr L has complained about, including whether its relationship with Mr L 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 L or otherwise treated him unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

Mr L didn't agree with my provisional decision. He said that Nationwide failed to undertake proportionate and sufficient checks before approving the loan. He noted that his bank statements showed regular, significant payments from his personal income to online trading platforms showing a pattern of financial outgoings with no income benefit. He said this should have been a clear warning that the loan was unaffordable and that he was in financial difficulty.

Mr L said that at the time of the loan, he was struggling with his mental health and gambling addiction, both of which contributed to his financial vulnerability. He thought that Nationwide should have identified this from his account activity and realised that providing the loan would cause him further harm.

Mr L thought that all interest should be removed from his loan and all payments he had made deducted from the amount he borrowed (without interest). Then he said that

Nationwide should set up an affordable repayment plan for him to repay the remaining balance.

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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

I have considered Mr L's comments in response to my provisional decision, but my conclusions haven't changed. As I set out in my provisional decision, I do not think that Nationwide's checks were proportionate given the size and term of the loan and the cost of the repayments, and so I considered what proportionate checks would likely have identified.

In this case, I think it would have been reasonable for Nationwide to have checked Mr L's Nationwide account statements to fully understand his income and any variability as well as to understand his actual expenses rather than rely on estimates. However, I find that had this happened, the loan repayments would have appeared affordable. While I note Mr L's comment about his financial vulnerability and I am very sorry to hear of the mental health issues he has suffered, and that the pressure of this loan made these worse, I have no evidence that he informed Nationwide of his circumstances at the time of the loan application and so I cannot say that it was aware, or should have been reasonably aware, of this at the time. While I note Mr L's comment about his gambling, the sites he was making payments to were online trading platforms and based on the information contained in the Nationwide account statements, I do not find I can say that this should have alerted Nationwide to Mr L having an issue with gambling.

Taking everything into account, and for the reasons I have set out above and in my provisional decision, I do not find I can say that Nationwide was wrong to provide this loan. Therefore, I do not uphold this complaint. However, Mr L has explained his current circumstances and that he is unable to meet his repayments, therefore we would expect Nationwide to treat him positively and sympathetically, and work with him regarding his outstanding balance.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 24 July 2025.

Jane Archer
Ombudsman