DRN-5778065

The complaint

Mr P complains Nationwide Building Society lent to him irresponsibly when they approved his application for an overdraft and subsequent limit increases. He also says they failed to properly monitor his use of the overdraft.

What happened

Mr P complains about Nationwide's lending decisions below and says they failed to adequately monitor his use of the overdraft.

Date	Overdraft limit
7 May 2019	£150
13 May 2019	£220
11 June 2019	£300
8 October 2019	£400
18 October 2019	£500

Nationwide investigated Mr P's concerns and issued their final response. They explained they weren't upholding Mr P's complaint because his applications passed their affordability checks at the time. Nationwide also explained they wrote to Mr P on multiple occasions, asking him to get in touch if he was struggling with his overdraft. And when they spoke to him about his overdraft in January 2021, Mr P said he would look to reduce his overdraft limit himself. Mr P remained unhappy, so brought his complaint to our service.

Our Investigator felt Mr P's complaint should be upheld from September 2022, because from this point Nationwide ought to have seen he was most likely experiencing financial difficulties. Nationwide disagreed with our Investigator, so this complaint was passed to me for a decision.

I issued my provisional decision on 11 August 2025 and explained I felt the redress should be different to fairly resolve Mr P's complaint. Both parties had until 26 August 2025 to respond.

As neither party responded, my decision has remained the same.

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 P's complaint. I'll explain my reasoning below.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. This is something Nationwide is familiar with, and I've used this approach to help me decide Mr P's complaint.

Nationwide needed to ensure they didn't lend irresponsibly. In practice, this means they needed to carry out reasonable and proportionate checks so they could understand whether Mr P 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 needed to be borrower focused – meaning Nationwide had to consider if repaying the credit sustainably and within a reasonable period of time would cause difficulties or adverse consequences for Mr P. It wasn't enough for Nationwide to consider the likelihood of getting their funds back – they had to consider the impact of the repayments on Mr P.

Checks also needed to be proportionate to the specific circumstances of the lending. There isn't a specific list of what constitutes proportionate affordability checks – rather it will depend on several factors, but not limited to, the particular circumstances of the consumer, and the amount/type/cost of credit they were seeking. And generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information they gather and what they do to verify it – in the early stages of a lending relationship. So, I've kept all this in mind when thinking about whether Nationwide did what they needed to before lending to Mr P.

At Mr P's highest credit limit of £500, the evidence I've seen suggests his weekly income from his state pension was £197.37, and Nationwide's credit checks showed he had external credit balances totalling just over £2,100. Given the modest credit limit, I consider these checks suggested the overdraft was affordable for Mr P's circumstances.

I've also considered whether there were any indicators the overdraft wouldn't be sustainable, or that it was likely to cause him harm. However, I don't consider there were. The checks didn't show that Mr P had been subject to bankruptcy, nor did he have any County Court Judgments. There was a default being reported to credit referencing agencies, but that was from nearly three years prior to the October 2019 credit limit increase. So, I don't think that ought to have made Nationwide concerned about the way Mr P had been managing his accounts and finances in more recent times. In turn, I consider Nationwide's checks ahead of their lending decisions were reasonable and proportionate. And those checks suggest it was fair for Nationwide to approve Mr P's applications for an overdraft and his subsequent overdraft limit increases.

While I'm satisfied Nationwide lent to Mr P responsibly, they were also obligated to ensure the lending remained sustainable and was unlikely to cause him harm. To do that, they were expected to review and monitor his use of the overdraft, which they've said they did by March and September each year. To understand what those reviews would have shown I've considered Mr P's statements for the period complained about and paid particular attention to the three months prior to the review dates each year.

Due to Mr P's repeat use of his overdraft, I can see Nationwide wrote to him about this in December 2020 and eventually spoke with him in January 2021. During this call, Mr P declined support from Nationwide and explained he would take steps to reduce his overdraft use himself. Given the modest overdraft Mr P held, I'm satisfied the evidence shows Nationwide were monitoring his overdraft use as expected. Nationwide took steps to remind Mr P about the support available, and as I don't consider there were signs of financial difficulties at that time, I'm satisfied that was the appropriate response.

Our Investigator felt Mr P's complaint should be upheld from September 2022 because he had been using the overdraft for extended periods and had a number of returned direct debits. While I agree, this was indicative of Mr P not using his overdraft as intended, I don't agree the complaint should be upheld from this point.

Having reviewed Mr P's statements, I consider he did have sufficient disposable income to repay his overdraft within a reasonable period. However, this didn't happen due to his management of his funds and discretionary spend. So, I do think it would have been prudent for Nationwide to have reached out to Mr P about his overdraft use and again remind him of the support available.

Where I think Nationwide should have gone further than simply writing or reaching out to Mr P, is September 2023. By this time, he had continued to use his overdraft for extended periods – but in addition to this, I've seen he'd taken out loans in September 2022, December 2022, and January 2023. This showed that Mr P was not only struggling to manage his finances, but that he may also have been becoming reliant on credit. And Nationwide's evidence suggest they were aware of this around that time as I've seen they wrote to Mr P in mid-October 2023 about his use of his overdraft.

I've also considered whether Nationwide acted unfairly or unreasonably in some other way given what Mr P has complained about, including whether their relationship with Mr P might have been unfair under s.140A Consumer Credit Act 1974.

However, because I am upholding Mr P's complaint already for the reasons I have explained, I don't think I need to make a finding on this. I believe the redress I have suggested below results in fair compensation for Mr P in the circumstances of this complaint.

In light of the above, I consider Mr P's complaint should be upheld from September 2023.

My final decision

My final decision is I'm upholding Mr P's complaint about Nationwide Building Society.

To put things right Nationwide Building Society should:

- Re-work Mr P's current overdraft balance so that all interest, fees, and charges applied to it from September 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Mr P to arrange a suitable repayment plan for this. If they consider it appropriate to record negative information on Mr P's credit file, they should backdate this to September 2023.

OR

- If the effect of removing all interest, fees, and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr P, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Nationwide should remove any adverse information from Mr P's credit file. †

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr P a certificate showing how much tax they've taken off if he asks for one.

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

Sarrah Turay

Ombudsman