

The complaint

Mr O complains that three loans made to him by Nationwide Building Society were unaffordable for him and shouldn't have been made to him.

What happened

Mr O complained to Nationwide in May 2024 about three loans that it had made to him between 2012 and 2014. He said that he only became aware in July 2023 that he could make a claim about irresponsible lending which prompted him to take a look through previous bank statements and he then realised that Nationwide had acted irresponsibly. It thought that his complaint was made outside of the time limits for a complaint but said that that was a matter for this service to decide so Mr O complained to this service.

An ombudsman said that this service can consider Mr O's complaint about Nationwide providing him with three loans in 2012, 2013 and 2014. One of this service's investigators then looked at Mr O's complaint and, having considered everything, she didn't think that Nationwide had acted fairly. She thought that Nationwide was wrong to provide the 2012 and 2013 loans to Mr O and that its decision to provide him with the 2014 loan was irresponsible. She didn't think that it was fair for Nationwide to be able to charge any interest or charges under the credit agreements but she thought that Mr O should pay back the amounts that he had borrowed and she set out how she recommended that that be achieved.

Nationwide didn't accept the investigator's recommendation and asked for this complaint to be considered by an ombudsman. It says, in summary, that:

- the loans were taken out in January 2012, February 2013 and June 2014 and, due to the time passed, it has very little information about the accounts as it only retains information in accordance with its data retention policy;
- the very limited data available indicates that the accounts were closed more than six years ago and it knows that each loan was a top-up loan where the first loan was repaid and the additional lending amount paid to Mr O;
- proportionate checks would have been carried out at the point of each loan application in line with its lending criteria at the time and would have included a check on Mr O's income, which would have been verified through a credit file check or a check of his payslips and a credit file check would have been completed as part of the application and Mr O's applications passed all those checks and the loans were approved;
- it can't see the loan payments due to the time elapsed but had there been any missed or late payments on the loans, the next loan wouldn't have been approved and it's not part of its process to ask a consumer for their bank statements as the applications passed its risk threshold and criteria at the time; and
- without all the information needed, such as the credit file information, which is no longer available due to the time that has passed, it doesn't believe that this service is in a position to issue an accurate and evidence-based decision with regards to Mr O's loan applications, and the fact that there can't have been missed payments on

the 2012 and 2013 loans suggests that the loans were affordable.

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.

Nationwide says that due to the time that has passed it has very little information about the loans as it only retains information in accordance with its data retention policy. Neither Mr O nor Nationwide has been able to provide copies of the loan agreements, account statements or any evidence about the loans, other than pre-contract credit information. Nationwide says that the very limited data available would indicate that the accounts were closed more than 6 years ago.

The pre-contract credit information that has been provided by Nationwide relates to: a loan of £11,000 that was to be made in February 2012 with an interest rate of 9.9% that was to be repaid by 24 monthly payments of £504.95; a loan of £15,334.47 that was to be made in February 2013 with an interest rate of 8.9% that was to be repaid by 36 monthly payments of £484.47; and a loan of £19,133.22 that was to be made in June 2014 with an interest rate of 7.4% that was to be repaid by 36 monthly payments of £592.18. Nationwide has referred to the first loan as being made in January 2012 but the pre-contract credit information says: *"This information is valid for 30 days from ... Feb 2012"*; and I'm going to refer to it as the February 2012 loan.

Nationwide says that there can't have been missed payments on the 2012 and 2013 loans which suggests that the loans were affordable, but I'm considering whether or not it lent to Mr O responsibly. Responsible lending would have required Nationwide to have made reasonable and proportionate checks before lending to ensure that each of the loans was sustainably affordable for Mr O at the time that the loan was made to him. It says that its checks would have included a check on Mr O's income, which would have been verified through a credit file check or a check of his payslips, and a credit file check, but it no longer has any information about the checks that were made for the three loans. Mr O says that he didn't provide any payslips as proof of income.

February 2012 loan

Mr O has provided copies of his bank statements for November 2011 and December 2011 which show that his income was £1,491.87 and £1,492.93 in those months. Mr O says that he didn't provide any payslips as proof of income. If Nationwide had checked Mr O's income before it lent to him in February 2012, I consider it to be more likely than not that it would have identified that he's monthly income was about £1,490. If Nationwide wanted to lend to Mr O with an income of £1,490, I consider that reasonable and proportionate checks for a loan of £11,000 with a monthly repayment of £504.95 would have required it to have obtained a detailed understanding of Mr O's financial situation. If it had obtained a detailed understanding of Mr O's financial situation, I consider that it would have identified significant spending by Mr O on gambling and that it would have concluded that a loan of £11,000 with a monthly repayment of £504.95 wasn't sustainably affordable for Mr O from his monthly income and that it shouldn't have lent to him.

February 2013 loan

The February 2012 loan was repayable over 24 months but after only 12 months Mr O seems to have applied to Nationwide for another loan, which both he and Nationwide have said was a top-up loan. Mr O hadn't repaid the February 2012 loan and was applying for another loan so I consider that reasonable and proportionate checks would have required it

to have obtained a detailed understanding of Mr O's financial situation at that time. Mr O has provided copies of his bank statements for December 2012 and January 2013 which show that his income in those months was £1,543.11 and £1,417.30 and his account was overdrawn at the end of those months by £606.46 and £1,520.98.

If it had made reasonable and proportionate checks, I consider that Nationwide would have identified significant spending by Mr O on gambling, that it would have concluded that it shouldn't have lent any more money to him and that a loan of £15,334.47, with a monthly repayment of £484.47, wasn't sustainably affordable for Mr O.

June 2014 loan

This was Mr O's third loan in 28 months. The February 2013 was repayable over 36 months but after only 16 months Mr O was applying to borrow more money. I consider that reasonable and proportionate checks would have required Nationwide to have obtained a detailed understanding of Mr O's financial situation at that time. Mr O has provided copies of his bank statements for April and May 2014 which show that his income had increased significantly to £2,606.87 in April 2014 and £2,214.65 in May 2014 but that, immediately before his income was received, his account was more than £2,000 overdrawn.

If it had made reasonable and proportionate checks, I consider that Nationwide would have identified significant spending by Mr O on gambling, that it would have concluded that it shouldn't have lent any more money to Mr O and that a loan of £19,133.22, with a monthly repayment of £592.18, wasn't sustainably affordable for Mr O.

Other unfairness

I've also considered whether Nationwide acted unfairly or unreasonably in some other way, including whether its relationship with Mr O might have been unfair under section 140A of the Consumer Credit Act 1974. As I'm upholding Mr O's complaint for the reasons given above, I don't consider that I need to make a finding on that. I consider that the actions that I've described below result in fair compensation for Mr O in the circumstances of this complaint and I'm not persuaded that it would be fair or reasonable for me to require Nationwide to take any actions other than as described below.

Putting things right

For the reasons set out above, I consider it to be more likely than not that the loans weren't sustainably affordable for Mr O at the times that they were made to him and that it was irresponsible for Nationwide to have made the three loans to Mr O. As I've concluded that Nationwide shouldn't have made the loans to Mr O, I don't consider that it's fair or reasonable for it to have charged any interest or fees under the loan agreements. In the absence of any information to show otherwise, I consider that Nationwide should reconstruct the three loans on the basis that all of the monthly payments were made on time, that the February 2012 and February 2013 loans were repaid when the next loan was made, and that the June 2014 loan was fully repaid in June 2017. Nationwide should then deduct the total amount that it would have lent to Mr O from the total of the loan repayments that he would have made. I find that it would be fair and reasonable for Nationwide to refund the resulting amount to Mr O, with interest.

My final decision

My decision is that I uphold Mr O's complaint and I order Nationwide Building Society to:

1. Refund to Mr O an amount calculated as described above.

2. Pay interest on the amount to be refunded for each loan at an annual rate of 8% simple from the date that each of the loans would have been repaid to the date of settlement.

HM Revenue & Customs requires Nationwide to deduct tax from the interest payment referred to above. Nationwide must give Mr O a certificate showing how much tax it's deducted if he asks it for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 20 October 2025.

Jarrold Hastings
Ombudsman