

The complaint

Mr M complains Nationwide Building Society (“Nationwide”) lent to him irresponsibly.

What happened

Nationwide provided Mr M with a personal loan for £9,400 in September 2024, with a total amount repayable of £14,504.64 over 48 months. The monthly payments were around £302. It also provided him with a credit card with a £2,700 limit in October 2024.

Mr M complained to Nationwide. In summary, he said he didn’t have any money coming into either of his Nationwide current accounts, he was overdrawn on these same accounts - and he was overly indebted at the time of lending. Mr M said he took the lending out whilst his partner was on maternity leave but now it’s impacting his mental health. He said he’s had to borrow money from family. Mr M said he shouldn’t have been approved for either the loan or the credit card and wants the balances written off.

In its final response, Nationwide didn’t uphold Mr M’s complaint. In summary, it said Mr M passed its lending criteria and external credit file checks at the time. It said it had found he had enough income to make the payments and there was no indication of financial difficulties on his existing accounts. Nationwide said Mr M had a change in circumstances in November 2024. Mr M didn’t agree and so referred his complaint to our service.

The Investigator didn’t uphold Mr M’s complaint. In summary, they said the checks for the loan were proportionate and the lending fair. And whilst the checks weren’t proportionate for the credit card, proportionate checks would have revealed the lending was fair.

Mr M didn’t agree and reiterated some of his earlier points. In addition to this, and in relation to the loan, he said, in summary, that the loan Nationwide provided him left him with insufficient disposable income to manage further borrowing, checks were generic and didn’t reflect his actual repayment obligations and Nationwide didn’t adequately consider his declared housing costs or vulnerability. For the credit card, Mr M said, in summary, proportionate checks weren’t carried out, inconsistencies in his declared income were ignored and Nationwide failed to consider the payment for the loan he’d just taken out. Mr M also said Nationwide failed to meet its responsibility in relation to consider his vulnerabilities and preventing harm.

Because the parties couldn’t agree, the matter has been passed to me to decide.

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.

We explain how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mr M’s complaint.

I want to thank Mr M for sharing personal information with us, in particular about how this situation has impacted him. I've taken this into consideration when deciding his complaint and I've thought carefully about what he's told us.

Having carefully considered everything provided, I'm not upholding Mr M's complaint – and I'll explain why.

Nationwide needed to make sure it didn't lend irresponsibly. This means it needed to carry out proportionate checks to understand whether Mr M could afford to repay before providing the lending. Generally, it might be reasonable and proportionate for a lender's checks to be less thorough (in terms of how much information it gathers and what it does to verify it) in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show it didn't continue to lend to its customer irresponsibly.

When Mr M was provided with the loan and the credit card, Nationwide was required to understand whether Mr M could sustainably repay the full amount it was prepared to lend.

Nationwide needed to be satisfied Mr M could afford to sustainably repay before agreeing to lend to him.

Loan

Nationwide provided Mr M with a personal loan for £9,400 in September 2024, with a total amount repayable of £14,504.64 over 48 months. The monthly payments were around £302.

It's certainly arguable, as our Investigator has said, that the checks Nationwide carried out at the time of lending were proportionate. It checked his income and some of his outgoings whilst estimating others, as well as carrying out a credit check. I also accept that with around £45,532 in existing debt, even against his relatively high earnings, there was a risk that further lending would be unmanageable for Mr M. In particular, because providing this loan would mean Mr M would have a not-insubstantial addition of around £302 added to his monthly credit commitments – for around four years.

But even if I say Nationwide ought to have carried out further checks, I don't think this would extend beyond checking Mr M's committed monthly living expenses, rather than estimating them. Nationwide had already verified the income figure Mr M declared of £4,000 per month using "TAC" which confirmed, using current account turnover via credit bureau data, the amount Mr M declared was likely to be correct. So, I think it was entitled to rely on this information. And, it had carried out a credit check to see how much existing credit Mr M had and how he'd been managing it.

Fundamentally, the rules don't specify exactly what checks a lender should do – rather, that they should be proportionate, taking into account, amongst other things, the amount being lent. So, whilst I'm not saying Nationwide were obliged to check Mr M's current account statements, I've relied on those statements to understand what proportionate checks would likely have shown, had Nationwide obtained more information about Mr M's committed monthly living expenses.

In doing so, I'm satisfied that further checks would have shown the lending was likely affordable – and I'll explain why.

Like our Investigator, I've assessed Mr M's disposable monthly income, assuming he was solely paying for all the household's committed living expenses. Upon doing that, the lending appears to be affordable on the basis that Mr M has a reasonable amount of disposable income left after taking into account his committed credit and living expenses – and the payments for this new lending. Even if Mr M feels this isn't the case and the lending wasn't affordable based on his sole income, I can see from the statements he's provided that his partner was contributing. Whilst Mr M has explained his partner later had a drop in income due to going on maternity leave, from what I've seen, I don't think this would have been foreseeable to Nationwide at the time of lending. On the contrary, based on what I can see on Mr M's joint bank account statements, had it found out more about Mr M's committed living expenses, I think it would have likely understood at least some of those expenses were shared and this would have left Mr M with more disposable income.

It's worth pointing out I've also used higher monthly credit commitments, compared to what Nationwide relied on when determining Mr M's likely income. I've done this on the basis Nationwide says it uses either what Mr M has declared or 5% of his credit card balance – whichever is higher and yet the figure it used fell below this amount. It also doesn't appear to have taken into account sustainable payments towards other revolving credit, which had shown on its credit checks. So, I've taken all of this into account when determining Mr M's affordability.

Whilst Nationwide's credit checks did show Mr M was fairly indebted, he didn't have any adverse information recorded against him at the time of this lending, suggesting he'd been managing existing credit well.

I've also considered Mr M's points about the existing lending he had with Nationwide – he held two current accounts with overdrafts. Mr M has emphasised that he was overdrawn at the time of lending and essentially, reliant on his overdraft.

I've reviewed this and can see for the current account with an overdraft limit of £1,500, in the year leading up to this lending, Mr M been in his overdraft for around four months with balances that didn't exceed around £400, apart from once, with a balance of around £800. I can see a similar usage of his second overdraft with Nationwide which had a limit of £250. In the year leading up to this lending, he'd used the overdraft in around 6 out of the 12 months leading up this lending – but for amounts as low as £3 and £90 in two of those months. I don't think this demonstrates an overreliance on his overdraft and I can also see from the credit report Mr M provided, that he didn't appear to exceed his limits either in the lead up to this lending. Any balances owing on his overdraft would also have likely shown up on Nationwide's credit checks at the time of lending and therefore have been included when considering Mr M's existing credit obligations. So, I don't think there was anything about the way Mr M was managing his existing borrowing with Nationwide which meant it ought not to have lent to him.

So, overall, even if I were to say Nationwide ought to have carried out more checks before providing this loan to Mr M, I'm satisfied these would have likely shown the lending was affordable. Considering this, along with the evidence that Mr M appeared to be managing his existing credit well, I think the overall lending was fair.

Credit card

Nationwide also provided Mr M with a credit card with a £2,700 limit in October 2024.

Whilst, as our Investigator has said, I agree that we would generally expect to see details of what Nationwide's checks showed for this lending, it's important to note Nationwide provided

the credit card very shortly after it provided the loan. In fact, there was less than three weeks between the lending decisions.

Given the proximity of the lending for the loan and for the credit card, it's likely that Nationwide would have understood that Mr M had enough disposable income to afford this lending, considering the likely results of any further checks that would have been carried out only a few weeks before. However, it's worth noting that even if it did take steps to understand more about Mr M's situation before providing the credit card, I think it would have found the lending was likely to be affordable for him. Mr M also didn't miss any payments on his loan before the credit card was provided.

I don't therefore think it was wrong for Nationwide to provide the credit card to Mr M either.

I do appreciate the reality of Mr M's situation was likely different compared to what Nationwide's checks showed or what I've said they should have shown. But I can only hold Nationwide responsible for what it knew or what I think it should have known. And I don't think the problems Mr M had paying this loan would have been foreseeable to it at the time of lending, for the reasons I've explained.

Has Nationwide acted unfairly in any other way?

Whilst it isn't clear if Mr M has brought this particular issue to our service, I can see he wasn't happy that Nationwide defaulted this account and passed it to a debt collection agency. From Nationwide's system notes, it appears it tried contacting Mr M on more than one occasion but couldn't reach him. Although Mr M had made a complaint about this lending, Nationwide are entitled to continue collecting the debt and have an obligation to report the status of the loan to the Credit Reference Agencies correctly. So, I don't think Nationwide has made an error here either.

Finally, I've also considered 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 M 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.

Overall, I don't think Nationwide lent to Mr M irresponsibly when providing the loan or the credit card, nor did it treat him unfairly in any other way.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 8 January 2026.

Sophie Kyprianou
Ombudsman