

The complaint

Mr S complains that Nationwide Building Society (“Nationwide”) acted irresponsibly when it authorised his overdraft limit and subsequent increase whilst he was a student and without reasonable and proportionate checks being conducted.

What happened

Mr S has held an account with Nationwide for a number of years. This was initially a Flex One student account which didn’t attract any charges but this changed to a Flex Account in February 2023. In the same month, Mr S applied for and was provided with an overdraft of £1,000 and this limit increased to £2,500 in May 2023 where it remained.

In July 2025 Mr S complained to Nationwide that it had been irresponsible when it approved and then subsequently increased his overdraft limit when he was a student with no regular income.

On 10 July 2025 Nationwide issued Mr S with a final response letter (“FRL”). Within the FRL, Nationwide didn’t uphold the complaint and said it was satisfied it hadn’t acted irresponsible in approving his overdraft limit and increase.

Unhappy with the response from Nationwide Mr S brought his complaint to us.

Mr S’s complaint was considered by one of our investigators who didn’t uphold the complaint and concluded that Nationwide didn’t need to take any further action.

As Mr S didn’t accept the investigator’s view, the complaint has been passed to me for review and decision.

On 17 February 2026 I issued a provisional decision on this case. In summary I said:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having done so, I can confirm that I’ve reached a different conclusion as to the investigator.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I’ve got is incomplete, unclear or contradictory, I’ve to base my decision on the balance of probabilities.

The rules lenders must follow are set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC). CONC 5D.2 and 5D.3 set out what a business must do to intervene where a customer is repeatedly using their overdraft.

CONC 5D.2 sets out a business' obligation to identify and monitor repeat use of overdrafts and its obligation to identify customers in actual or potential financial difficulty. Some examples of things that might indicate financial difficulties are given here. For instance, use of other products which may indicate a fall in disposable income, an upward trend in a customer's use of the overdraft over time or where a customer has become or remained overdrawn in every month over a 12-month period.

CONC 5D.3 sets out what interventions the business should take in cases of repeat overdraft users.

Where there are signs that a customer is (or might potentially be) suffering financial difficulties, CONC 5D.3 sets out that the business must:

- Communicate with the customer highlighting the pattern of use and whether this is resulting in high avoidable costs AND encourage the customer to contact them about their situation AND provide contact details of debt advice charities.*
- If after a reasonable period of time the pattern continues and the customer hasn't made contact, the business must take reasonable steps to contact the customer to set out suitable options designed to help the customer.*
- If the customer still doesn't engage with the business the business must after a reasonable period, consider whether to continue offering the overdraft facility and whether to reduce it, so long as this doesn't cause the customer financial hardship.*

Given this, I've considered whether Nationwide has acted fairly and in line with its obligations under CONC.

Nationwide's decision to initially grant Mr S an overdraft limit of £1,000 in February 2023.

Before authorising the initial overdraft limit of £1,000 in February 2023, Nationwide was required to complete proportionate affordability checks to ensure the credit was affordable and sustainable. What is considered proportionate will vary depending on the specific circumstances of each case, as there isn't a set list of checks that had to be completed.

Nationwide told us that when they conducted their affordability checks, it found there were no defaults or arrears or notices of correction on Mr S's credit file. It confirmed Mr S had a declared income of about £24,000 per year and had existing debts of £17,228 with £400 going towards rent and no other monthly outgoings. However, Nationwide were also aware that Mr S was a student at the time of this application. There was some confusion regarding the account that Mr S held at the time of this application but Nationwide has since confirmed it was a Flex Account which was subject to fees, charges and interest as opposed to a student Flex One account which wasn't.

I'm not convinced that the checks conducted at this time were proportionate given the fact that Mr S was a student with no regular employment and had stated that he earned £24,000 a year but with no other commitments other than rent. That being said, having looked at Mr S's statements for this time, I can see that he had previously managed his account well (although did appear to have several monthly commitments), had no adverse credit file information and which indicated he was also managing his external debt well. Our investigator alluded to the fact that Mr S was living at home and so his monthly outgoings

were minimum (although from the student loan amounts Mr S received it appeared he was living away from his parents).

Our investigator however felt that Mr S would be able to repay any outstanding overdraft up to the agreed limit over a reasonable period of time. And on balance I agree. Mr S had maintained his account well, had no adverse credit information and was managing his other credit commitments.

Nationwide's decision to increase Mr S's overdraft limit to £2,500 in May 2023.

A few months after initially granting the overdraft limit of £1,000, Nationwide increased it to £2,500 in May 2023. This represented a considerable increase. But Nationwide were able to see how Mr S had managed his limit up to the increase and generally he had managed his account well. He hadn't exceeded his limit and appeared to have sufficient funds going into his account to be able to pay off the debt in a reasonable period of time, albeit the vast majority of the funds going into his account were his student loan and ad hoc payments for zero hours contract part-time jobs. Mr S has kindly provided his credit file and I can see that he had no adverse information which would have given Nationwide cause for concern.

Mr S declared on his application that his annual income was now £25,000 (albeit again from his student loans and ad hoc jobs), he had no rent or other monthly commitments and his external debt was now £16,395. So within the space of a few months, Nationwide could see that he had managed to reduce his external debt, had no adverse credit information and had managed his account well up to that point and had not exceeded the limit.

On balance, although I think the checks conducted at this juncture weren't proportionate given the significant jump in credit limit, I still feel that Nationwide made a fair lending decision to increase the limit. I note that Mr S subsequently made further applications in June 2023 to increase his overdraft limit but these were declined by Nationwide on the grounds of affordability which I think was the responsible thing to do.

I will now go on to consider whether Nationwide continued their obligation to review and monitor Mr S's account in accordance with CONC 5D.3

Nationwide's decision to continue the overdraft upon review

As highlighted above, the CONC regulations puts the onus on lenders that an overdraft is not generally suitable for long term use. So as well as needing to act responsibly when it took its decision to grant Mr S an initial overdraft limit of £1,000 and then increase it to £2,500 – ensuring that the overdraft was sustainably affordable without the need for Mr S to borrow more – Nationwide also needed to monitor and review his overdraft usage. And where it identified a pattern of repeat usage, as with Mr S's account, it needed to take steps to try and reduce it. And on balance, I'm not satisfied Nationwide have done this. I say this as from the statements I've seen, from June 2023, Mr S was constantly having direct debits returned incurring additional charges as he neared the limit. And from January 2024 onwards, Mr S was in the main constantly overdrawn and at times exceeded the agreed overdraft limit (in March, April and May).

Nationwide said it wrote to Mr S in October 2023, February 2024, April 2024 and December 2024 about his overdraft. I've read these letters and I can see that they made Mr S aware of the cost of using his overdraft, offered to discuss his finances if he wished and provided details of debt advice charities. Nationwide also noted that by September 2023 Mr S was displaying behaviour that indicated potential financial difficulties.

Our investigator suggested that the returned direct debits were due to poor account management but I disagree. I think by May 2024, Mr S was in a cycle of debt which continued as Mr S exceeded his limit for several months subsequently resulting in returned direct debits and additional charges. And from Mr S's credit report I can see that Mr S took out a loan for £800 from another provider in June 2024 and which was paid directly into his Nationwide Flex account to try and reduce the debt. So by the time of the May 2023 review, I think there were enough indicators to suggest that Mr S was facing financial difficulty. And although the £800 loan was taken out the month after this review, I think this is evidence of the state of Mr S's financial situation at the time as Nationwide will be aware that using debt to pay off debt is an indication of a consumer suffering financial difficulty.

So by the time of the first annual review, in May 2024 Nationwide should have been aware that Mr S was facing financial difficulty. It's clear from his transactions that he was paying other debts from this account as well as using it for essential spending and was reliant on his student loan. So, I think from the information available to it Nationwide should have identified that Mr S was in financial difficulty by the time the first annual review was due in May 2024.

I understand Nationwide may have been reluctant to cause detriment to Mr S by taking any drastic action. However, taking into consideration Nationwide's obligations under CONC, I'm not satisfied it did enough to support Mr S by just sending the letters. I've seen no evidence that Nationwide took any steps to contact Mr S with suitable options to help him reduce his reliance on the overdraft or to consider reducing or waiving the fees, interest and charges.

The letters Nationwide sent to Mr S invited him to speak if he had any questions or concerns. Because Mr S didn't phone the bank after receiving the letters Nationwide doesn't think it did anything wrong as it believes the onus was on Mr S to contact it. I disagree. In the first instance, I don't think a letter that highlights the cost of the facility is the same thing as something which indicates you may be over reliant on the facility. And I think Nationwide should have been in contact with Mr S about removing the facility, or at the very least reducing it to a more manageable limit. So given the financial difficulties Mr S was facing at this time, I think Nationwide should have taken a more proactive approach.

I say this because I think Mr S was showing signs of financial difficulty and was in a cycle of debt and Nationwide should have done more to help him to explore different options to reduce the debt. Because of this, I uphold this complaint from the date of the first annual review in May 2024.

Did Nationwide act unfairly in any other way

I've also considered whether Nationwide have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Nationwide and Mr S, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've Directed above results in fair compensation for Mr S in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I then explained what Nationwide should do to fairly and reasonably compensate Mr S.

Mr S agreed with my provisional decision but Nationwide didn't respond.

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.

As I don't have any new material evidence to consider and Mr S has accepted my provisional findings I can confirm that I have no reason to depart from them and I confirm them as final.

My final decision

My final decision is I uphold this complaint against Nationwide Building Society, who must now:

- Re-work Mr S's overdraft account to remove any interest, fees and charges applied from May 2024.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Nationwide should contact Mr S to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr S's credit file, it should backdate this to May 2024.

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 S, along with 8% simple interest (yearly) on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Nationwide should remove any adverse information from Mr S's credit file.*

*HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr S a certificate showing how much tax it's taken off if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 March 2026.

Paul Hamber
Ombudsman