

The complaint

Miss M complains that Nationwide Building Society (Nationwide) lent to her irresponsibly.

What happened

Miss M had three overdrafts with Nationwide, and she complained that each was given to her without the appropriate checks being completed.

One of these accounts was a student account that became a graduate account. Miss M took this out in May 2019; however, no interest had been charged on the account at the time of the complaint.

In addition, Miss M had a Flex Plus account that she opened in May 2024 and at the time of the complaint had a £500 overdraft.

Miss M also had a further overdraft on her Flex Account. This account was opened in January 2019 with an initial limit of £250 and the limit increased as follows:

Date	Existing Limit	Increase	New Limit
22 February 2019	£250	£250	£500
06 March 2019	£500	£200	£700
06 March 2019	£700	£100	£800
07 March 2019	£800	£100	£900
07 March 2019	£900	£100	£1,000

In late 2024, Miss M complained to Nationwide saying it had lent to her irresponsibly and failed to complete appropriate checks before lending to her. So, she's asked for the interest and charges applied to the overdraft to be refunded.

Nationwide looked into Miss M's complaint and said it felt it had acted fairly in providing the overdrafts and subsequent increases on both the Flex Account and her student account. However, Nationwide agreed it shouldn't have agreed the overdraft on the Flex Plus account. So, it refunded the interest and charges applied to this overdraft plus 8% interest and agreed to remove any adverse information from Miss M's credit file in relation to the overdraft. It also removed the overdraft from the account.

Miss M didn't accept what Nationwide said and as she remained unhappy, Miss M referred her complaint to our service and one of our investigators looked into it.

After considering the information available our investigator said there was no loss in relation to the student account and Nationwide had already put things right on the Flex Plus account. So, he focused on whether Nationwide had acted fairly in relation to the Flex Account. After reviewing the case, he felt Nationwide had completed proportionate checks for both the initial lending and subsequent increases. However, he said that because of the way the

overdraft was being used Nationwide should have taken steps to help Miss M manage the account down by March 2021.

Miss M accepted the investigators view but Nationwide didn't agree. It said in 2021 the covid pandemic was ongoing, and it wouldn't have been right to withdraw the overdraft at that point. The investigator explained withdrawal wasn't the only option and Nationwide should have taken steps to help Miss M at that point. As there was no agreement, the complaint has been passed to me for a decision.

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 done so I issued a provisional decision saying:

"I agree with the investigator here that Nationwide have looked to put things right in the way we would expect for the Flex Plus account so, I don't intend to go into further detail or ask Nationwide to do anything differently for this account.

I also can't see there has been any loss to Miss M as a result of the student account. I say this because looking at the statements the account has been interest free since it was opened in 2019. This will likely change over time, so if Miss M has concerns about meeting repayments when interest does become chargeable, she should contact Nationwide to agree a suitable way to repay the balance.

Given this I've focused my decision on whether Nationwide has acted fairly in relation to Miss M's Flex Account. Having done so, I've reached a slightly different outcome to the investigator, and I'll explain why.

I think there are key questions I need to consider in order to decide what is fair and reasonable in this case:

- *Did Nationwide carry out reasonable and proportionate checks to satisfy itself that Miss M was in a position to sustainably repay the credit?*
- *If not, what would reasonable and proportionate checks have shown at the time?*
- *Did Nationwide make a fair lending decision?*
- *Did Nationwide act unfairly or unreasonably towards Miss M in some other way?*

Nationwide had to carry out reasonable and proportionate checks to satisfy itself that Miss M would be able to repay the credit sustainably. It's not just about Nationwide assessing the likelihood of it being repaid, but it had to consider the impact of the repayments on Miss M.

There is no set list of checks that it had to do, but it could take into account several different things such as the amount and length of the credit, the amount of the repayments and the overall circumstances of the borrower.

Nationwide has provided this service with evidence of the checks it completed for the overdraft and the increases. Having reviewed this information I don't think I can fairly say that the checks it completed weren't proportionate to the overdraft limits it approved. I'll explain why.

The checks show that Miss M had an average income of around £800 or more a month at the time of the first and subsequent lending decisions on her Flex Account. Nationwide also gathered information from the credit reference agencies to work out how Miss M was

handling any existing debt and how much she needed to pay towards it. It found that Miss M didn't have any other existing credit.

Nationwide has said its searches revealed she had no County Court Judgements (CCJs) debt management plans, defaults, missed payments, bankruptcies, or IVAs. So, I wouldn't have expected Nationwide to decline Miss M's application's up to and including the £1,000 limit based on the information it found during its checks.

So, I'm persuaded the checks Nationwide completed were reasonable and proportionate to the amount and type of credit it went on to approve. And I'm satisfied the decision to approve the overdraft, and the subsequent increases was reasonable based on the information it obtained about Miss M's circumstances. So, I'm not persuaded that Nationwide created unfairness in its relationship with her as a result of its decisions to lend in relation to the overdraft.

Did Nationwide act unfairly or unreasonably towards Miss M in some other way?

I can't conclude that Nationwide acted unfairly or unreasonably when providing Miss M with her overdraft, or when increasing her limit. But Nationwide still had an ongoing duty to review Miss M's overdraft facility on a regular basis to ensure the lending remained affordable and could sustainably be repaid over a reasonable period.

Nationwide has told us it reviewed the account every six months in February and August of each year. Having considered everything provided, I think Nationwide acted unfairly when it continued adding interest and associated fees and charges to Miss M's overdraft from February 2022. By this point, it was evident that Miss M's overdraft had become unsustainable for her. Nationwide needed to consider whether it was fair and reasonable for it to continue allowing Miss M to use the facility bearing in mind the level of income coming into the account.

I saw nothing concerning in the account usage in 2019. There was no salary being regularly paid into the account, but Miss M kept the account relatively well funded and although she used the overdraft, the spending was largely non-essential. The account usage in 2020 changes slightly with transfers into the account becoming smaller and less regular, but again the expenditure on the account is largely non-essential and Miss M does make some large transfers to the account when she receives her student loan. I think it would have been reasonable for Nationwide to write to Miss M about her overdraft usage when it reviewed the account in February 2021, and I can see it did that. But given the non-essential nature of the spending on the account I don't think there was enough evidence to say that Miss M could no longer afford the account at that time.

By the review that took place in August 2021 I think Nationwide would have been able to see that Miss M had virtually stopped funding the account and was exceeding her overdraft limit. Given this I think Nationwide needed to contact Miss M to offer support in managing the account.

At the review that would have taken place in February 2022, I think Nationwide would have known the overdraft on the Flex Account was no longer sustainable. Over the last year Miss M had paid in £62 that could be considered as income and had been over her overdraft limit in 11 out of 12 months. In addition to this Miss M had stopped receiving student loans and didn't appear to have a salary being paid into her student account after April 2021. It's clear that in some months the interest applied to the Flex Account caused Miss M to go into an unarranged overdraft and she didn't appear to have any form of income to sustainably manage or repay the Flex account overdraft.

Good industry practice as well as various relevant regulation in place over the years all suggest that overdrafts are supposed to be for unforeseen emergency borrowing not prolonged day-to-day expenditure. From December 2019 the rules lenders must follow are set out by the FCA, in its Consumer Credit Sourcebook (CONC).

So, with this in mind I've considered whether Nationwide has acted fairly once it should have been aware Miss M was struggling to sustainably manage the account.

I can see Nationwide first recognised Miss M was over reliant on the account in February 2021 when it wrote to her about the account usage and the cost of this. Nationwide wrote to her again in March 2021, June 2021, October 2021, and November 2021. It also says it wrote to her in January and February 2022. Nationwide said it also attempted to call her about the account during this time but received no response.

Whilst I acknowledge that Nationwide did take some of the steps I would expect, I don't think its actions went far enough.

I appreciate Nationwide sent Miss M a number of letters telling her that an overdraft was an expensive way to borrow money and that she should get in contact if she was experiencing difficulty. I accept Miss M didn't get in touch with Nationwide but, there comes a point where a lender can't continue to rely on a borrower not wanting to discuss their situation.

So, while Miss M didn't get in contact with Nationwide, in response to its letters and calls in 2021 and 2022, I don't think it was reasonable for Nationwide to take no further action in relation to the account. It's clear Nationwide had recognised there was a problem with the account, and I think it would have been reasonable for it to have taken action when the review in February 2022 demonstrated the account conduct hadn't improved but appeared to have worsened.

Nationwide didn't react to Miss M's problematic overdraft usage and instead continued charging her in the same way, while allowing her to continue using the facility in an unsustainable way. So, I think Nationwide failed to act fairly and reasonably towards Miss M."

So, to put things right I said Nationwide should:

- *"Rework[ing] Miss M's current overdraft balance so that all interest, fees, and charges applied to it from February 2022 onwards are removed.*

AND

- *If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Miss M to arrange a suitable repayment plan, Miss M is encouraged to cooperate with Nationwide to reach a suitable agreement for this. If Nationwide considers it appropriate to record negative information on Miss M's credit file, it should reflect what would have been recorded if it had started the process of taking corrective action on the overdraft in February 2022. Nationwide can also reduce Miss M's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave her over her limit.*

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 Miss M 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 Miss M's credit file. Nationwide can also reduce Miss M's overdraft limit by the amount of refund if it considers it appropriate to do so.*

** HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Miss M a certificate showing how much tax it has taken off if she asks for one."*

Nationwide responded accepting my provisional decision, but Miss M didn't respond. Given this, I don't see any reason to depart from my provisional findings.

Putting things right

Having thought about everything, I consider that it would be fair and reasonable in all the circumstances of Miss M's complaint for Nationwide to put things right by:

- Reworking Miss M's current overdraft balance so that all interest, fees, and charges applied to it from February 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Miss M to arrange a suitable repayment plan, Miss M is encouraged to cooperate with Nationwide to reach a suitable agreement for this. If Nationwide considers it appropriate to record negative information on Miss M's credit file, it should reflect what would have been recorded if it had started the process of taking corrective action on the overdraft in February 2022. Nationwide can also reduce Miss M's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave her over her limit.

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 Miss M 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 Miss M's credit file. Nationwide can also reduce Miss M's overdraft limit by the amount of refund if it considers it appropriate to do so.

** HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Miss M a certificate showing how much tax it has taken off if she asks for one.*

My final decision

For the reasons I've explained, I partially uphold Miss M's complaint and direct Nationwide Building Society to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 December 2025.

Charlotte Roberts
Ombudsman