The complaint

Miss W complains that Nationwide Building Society ("Nationwide") irresponsibly provided her with a personal loan.

What happened

Nationwide provided Miss W with a personal loan in July 2021 for £10,000, repayable over a 60-month term, with a total amount payable of £12,567.60. The contractual monthly payments were £209.46.

Miss W complained to Nationwide in September 2024. In summary, she said Nationwide didn't check the loan was affordable before lending to her. She said she had a gambling addiction and poor mental health. Miss W said she also had other large credit commitments including loans, an overdraft and multiple credit cards – Miss W said she owed around £49,500. She said she wants Nationwide to write off the debt and refund any payments made towards the loan.

In its final response letter, Nationwide didn't uphold Miss W's complaint because it didn't agree the lending was irresponsible. In summary, Nationwide said it was satisfied with the information it had available at the time of lending and the figures provided in the application showed affordability for the monthly repayment. However, recognising Miss W's financial difficulties and current situation, it said as a gesture, it would refund all interest Miss W had paid on the loan account, totalling a refund of £158.39 to be deducted from the amount still owing. Nationwide has said it won't write off the debt, however.

Before coming to an opinion on Miss W's complaint, due to the details she'd shared of her current circumstances, our Investigator reached out to Nationwide to explore any options for reducing or writing off the debt. In summary, Nationwide said it wouldn't take any further action as Miss W was repaying the debt via a Scottish Debt Arrangement Scheme ("DAS") and it didn't think it received sufficient information from Miss W.

Our Investigator therefore went onto consider Miss W's complaint about irresponsible lending, but they didn't uphold it. They felt the checks were proportionate and the lending fair.

Miss W didn't agree. In summary, as well as reiterating some of her earlier points, she said the loans she'd taken out with other lenders ought to be showing on the credit check Nationwide carried out and that would have revealed she had a large amount of debt. Miss W also said she'd maxed out her Nationwide credit card and was only making the minimum payments. She said her monthly income was only around £1,300 at that time and Nationwide ought to have verified this.

The Investigator responded and said, in summary, that it's not unusual for recently approved debt to not appear on credit checks. And a key reason Nationwide approved the loan was because Miss W declared it was for debt consolidation. They also said the affordability checks Nationwide carried out were sufficient.

Because an agreement couldn't be reached, the complaint was passed to me to decide on the matter.

I issued a provisional decision which said:

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

Miss W has explained in detail, the reality of her situation at the time Nationwide lent to her. To protect her privacy, I won't go into that detail here. But it's fair to say she was suffering personally and this culminated in a gambling addiction and mental health issues, amongst other difficulties. I want to thank her for sharing this personal information with us – and I recognise that she must have been going through a very difficult time. I understand that being provided with credit will have likely made her situation worse.

Given Miss W's situation at the time of lending, I can understand why she strongly believes that the only logical answer here is that Nationwide shouldn't have lent to her and therefore it should put things right. But – I can only say Nationwide did something wrong if it did know, or should have known, about the reality or the extent of Miss W's situation. Or, if there were other reasons it shouldn't have lent to Miss W.

Having carefully considered everything provided, I don't intend to uphold Miss W's complaint – and I'll explain why.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss W's complaint.

Nationwide needed to make sure it didn't lend irresponsibly. It was required to carry out proportionate checks to understand whether Miss W could afford to repay before providing the loan. This means Nationwide needed to take reasonable and proportionate steps to check that making the loan repayments wouldn't cause Miss W undue difficulty or have adverse consequences.

There aren't set rules about what a proportionate check should include and a proportionate check could look different for different applications.

But we might think the lender needed to do more if, for example, a borrower's income was low, the amount lent was high, or if a borrower would be indebted for a lengthy period of time. 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.

There may also be other factors which could influence how detailed a proportionate check should be, for example, any borrower vulnerability or foreseeable changes in future circumstances.

When Miss W was provided with the loan, Nationwide was required to understand whether she could sustainably repay the full amount it was prepared to lend.

When providing Miss W with the loan, Nationwide's checks showed:

- *During the application, Miss W declared her monthly net income was £1,800 (which Nationwide verified through TAC, a tool to check current account turnover via the credit reference agencies (CRAs)), her housing costs were "0" and her outstanding credit card balance was £4,000.*

- *Miss W's estimated disposable monthly income was around £628. Nationwide's calculations were as follows: assumed monthly outgoings, including: housing costs of £100, household expenditure of around £440, council tax of around £90, monthly loan repayments of around £440 and credit card repayments of around £100. The credit repayments were calculated by using the higher figure of either what Miss W declared or what the CRAs showed.*
- *The total value of Miss W's active credit accounts was £21,904. This was comprised of £16,860 in loans and £4,122 in revolving credit.*
- *Miss W's revolving credit limits totalled £10,750.*
- *Miss W had no recorded public records, insolvencies or County Court Judgments (CCJs). Miss W didn't have any recent arrears such as missed payments.*
- *Miss W had no repayment plans.*
- *Miss W had opened 5 new accounts in the last 24 months, the most recent being opened 4 months prior to this lending.*
- *The total value of accounts opened in the last 6 months was £12,454.*
- *The total current balance of active accounts opened in the last 4 to 12 months was £16,860.*
- *Miss W didn't have any payday loans.*

Nationwide's checks suggested Miss W had a high disposable monthly income and that she'd been managing her credit well, having had no arrears or other adverse information. Nationwide also says Miss W declared the lending was for debt consolidation - transferring debt can mean a borrower's overall indebtedness may not increase and it can even sometimes bring monthly credit commitments down.

Having seen evidence of Miss W's salary, I can see she was earning around £1,300 per month rather than the declared £1,800. As above, Nationwide says it confirmed what Miss W declared via TAC. I've seen Miss W's bank statements, and she was making regular transfers in and out of her account. TAC relies on Miss W's current account turnover. So, it's possible this explains why Nationwide was able to confirm the higher salary declared.

Using TAC or some form of current account turnover check is an acceptable industry-standard way of assessing income. And in the circumstances of this case, given what Nationwide found matched what Miss W had declared, I think it was reasonable for it to rely on this information.

In relation to Miss W's committed living expenses, it appears Nationwide only asked her what her housing costs were, but it didn't ask her about any of her other essential spending, as it relied on estimations. However, I don't think modelled spending ought to have been relied on to calculate Miss W's living expenses here. I accept there is a place for the use of statistical data in income and expenditure assessments. But it isn't always appropriate to rely on statistical data. Instead, Nationwide ought to have obtained further information about Miss W's actual committed living expenses.

I say this because, relative to her income, Miss W had high active credit balances and access to a high level of revolving credit. This meant her credit commitments took up a large portion of her monthly income. This new lending would mean Miss W would be indebted for a sizeable sum over a significant period of time, committed to paying over £200 every month. Even if she consolidated her debt using this new lending, it would still mean around 30% of her monthly income would be spent on repaying debt. Nationwide's checks also showed Miss W had been taking out and using an increasing amount of credit over recent months, prior to this lending.

Considering all of this, I think it's arguable there were potential warning signs that Miss W may have been over-indebted and in financial difficulty. And, even if Miss W was going to consolidate her debt, Nationwide must still ensure this lending is affordable. In any event, Nationwide has said that for the sake of prudency, it would assume the borrower isn't going to consolidate.

So, overall, I'm not persuaded Nationwide's checks were proportionate.

As Nationwide didn't carry out proportionate checks, I've considered what proportionate checks would have likely shown. In other words, what Nationwide is likely to have seen, had it obtained further information about Miss W's actual non-discretionary, committed living expenses at the time of lending.

One way that committed living expenses could be evidenced is by looking at Miss W's bank statements. However, having reviewed the statements, the transactions comprise mostly of transfers and gambling transactions. There isn't any evidence of household expenses or bills on Miss W's statements. So it's unlikely that statements would have been provided, had Nationwide obtained more information about Miss W's committed living expenses, because those statements don't contain the information required.

I asked Miss W about this, and she explained that her partner at the time began supporting her with priority bills and other living expenses because she was spending her money on gambling. Miss W says she lived with her partner, and the bills were in his name. Understandably, because of what she was going through, Miss W doesn't have an exact timeline of what happened and when – but she says initially she'd been transferring money or withdrawing cash to pay her partner for her half of the bills. But then at some point, this must have stopped, because Miss W says her ex-partner kept count of what she hadn't paid to him and she is now indebted to him for this amount (which initially ran into the thousands).

Taking into account what Miss W said about transferring money to her ex-partner or withdrawing cash, I reviewed her statements again. However, there isn't a clear pattern of transfers or cash withdrawals which would reflect the amounts Miss W had said she'd been responsible for paying for her half of the bills. So ultimately, I haven't been able to see any clear evidence of Miss W's committed living expenses in the lead up to this lending.

With all of this in mind, I've thought carefully about what I think proportionate checks would likely have shown. I've considered what information Nationwide would have likely obtained, had it asked Miss W about her committed living expenses, instead of estimating them.

When Nationwide asked Miss W what her housing costs were, she stated "0" on her application. Given what Miss W has told me about her situation at the time, it seems likely this was a true representation of her housing costs. I say this because although at some point she may have been sending money to her ex-partner for her half of the bills, after reviewing her statements, it seems likely that at the time of lending, she wasn't in fact contributing to housing costs or essential living expenses. This leads me to conclude that had Nationwide also asked Miss W about the rest of her committed living expenses, that it would have likely understood she wasn't paying anything at that time.

When carrying out its checks, we know Nationwide exercised caution when Miss W answered in this way for her housing costs, by assuming she paid around £100 each month. So even if it had asked Miss W what her other committed living expenses were, it's possible Nationwide may then have gone onto use estimations for this, as it has done anyway. In the circumstances of this case, I don't think that would be unreasonable. And had it done that, its calculations suggest Miss W had a sizeable disposable monthly income and therefore the lending was likely affordable.

I appreciate this doesn't reflect the reality of Miss W's situation – I've seen evidence of her gambling at the time of lending, and I understand this also likely meant any further lending wasn't affordable or may have made her situation worse. But as I've said, I don't think proportionate checks would have meant Nationwide would have checked Miss W's bank statements. Miss W has also said that it was clear from her credit report that she was gambling due to the searches showing. Whilst some gambling companies may carry out searches that appear on someone's credit report, these are known as soft searches. That means they're only visible to Miss W when reviewing her credit report and not to external lenders. So, I don't think Nationwide's credit checks ought to have revealed that Miss W was gambling either.

I also appreciate that Miss W has said Nationwide's credit checks didn't reveal the full extent of her indebtedness because she'd recently taken out large loans, meaning she owed closer to £50,000 rather than the £21,904 Nationwide had seen when carrying out its credit check. Given the proximity of the lending, it is possible that the recent lending hadn't been reported to the Credit Reference Agencies when Miss W applied for the loan with Nationwide. But there could be other reasons for this. There are three Credit Reference Agencies, lenders aren't obliged to report to all three and nor do they have to check all three before lending. So discrepancies can arise between what a consumer sees on their own report and what a lender sees. I've seen evidence of Nationwide's credit checks, and I'm satisfied they were comprehensive – and that the more recent loans Miss W had taken out before this lending, don't appear on Nationwide's checks, given her credit balances were showing at just over £20,000. So I think Nationwide was entitled to rely on the information it saw about Miss W's credit, at the time of lending.

I've also considered that Miss W had an existing relationship with Nationwide when she applied for this loan as she held a Nationwide current account and a credit card. Whilst Nationwide has reviewed Miss W's usage of these accounts when providing submissions to our service, it isn't clear to me whether it took this into account before lending to Miss W. I can see, around the time of this lending, there were limited transactions on Miss W's current account – and no overdraft. I don't therefore think there was anything adverse Nationwide would have drawn from that. Miss W's credit card statements paint a similar picture as it wasn't being used for purchases but rather mainly for balance transfers. Whilst Miss W made minimum payments towards her credit card some of the time, I can see she also made some significant payments towards her balance in the time between taking out the credit card and taking out this loan. In any event, making minimum payments on her credit card ought to have prompted Nationwide to carry out further checks. And had it done so, as above, I think it would have concluded the lending affordable.

Overall, I'm satisfied, had Nationwide carried out proportionate checks, that it would have likely found the lending affordable. And in the circumstances of this case, it wasn't wrong for Nationwide to have lent.

I recognise Miss W's strength of feeling on the matter and I know she'll be disappointed with this outcome. Nationwide should treat Miss W with forbearance, in line with its obligations. I'm aware it has already refunded and stopped charging interest, given Miss W is making payments via the DAS. Miss W has requested Nationwide write-off the remaining debt, considering her personal circumstances. Nationwide has said it won't do this whilst Miss W is making payments through the DAS. I don't think this is unreasonable because Miss W is currently demonstrating she can make payments towards her debt. Miss W has told us that she is having difficulties meeting her DAS payments but this is something she may want to discuss with her DAS provider. If Miss W's ability to meet the payments changes in the future, then this can be reviewed and Nationwide will need to continue to treat Miss W with forbearance.

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 Miss W or otherwise treated her 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."

Nationwide responded to say it accepted my provisional findings however Miss W didn't agree.

In response to my provisional decision, and in summary, Miss W said we'd sided with the lender and handled things without empathy.

Miss W said proportionate checks would have revealed her gambling transactions and that a lot of statements in the provisional decision's summary are incorrect. Miss W said I'd assumed her partner was paying her share of the bills but she says this isn't right because she was still making payments towards the bills. Rather, it was that she couldn't manage the payments and accounts herself. She offered to get a statement from her ex-partner confirming this.

Miss W also said my comments around not being clear on what she was spending on bills was incorrect because she was very vulnerable and her spending was all gambling due to severe poor mental health. Miss W said the decision's focus is on spending and affordability but not on how she was suffering mentally and financially – and how she still suffers from this today. In reality, she says she had no disposable income as evidenced by her statements and gambling transactions. Miss W says the decision sets out that had Nationwide requested bank statements, it wouldn't have been able to verify the information. But she feels this means the loan wouldn't have been approved.

Miss W said she didn't believe Nationwide could only see she had debt of around £21,000 at the time. And that in fact, she had over £40,000 in debt and it's this figure which should be used in affordability assessments. She has asked for evidence of this and asks why she is being penalised for an error on the Credit Reference Agency records.

Miss W said one of the Credit Reference Agencies reports gambling activity to banks. So, it doesn't just show up on soft searches on credit files. She also says on another of her complaints, our service has said the lender was aware of her gambling and therefore she doesn't understand why the approach is different here. And, that it's been missed that another lender which provided a loan before Nationwide's has deemed its lending irresponsible and unaffordable. Miss W says the fact is that any loans granted after this would also be unaffordable.

Miss W feels given her current circumstances, Nationwide should write the debt off.

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'm not upholding this complaint. I know this will come as a great disappointment to Miss W and I am very sorry to hear about everything she has been through – and is currently going through. I will explain my reasons.

I note some of Nationwide's responses also refer to a credit card provided to Miss W; however, this complaint relates to the provision of the personal loan only.

I want to start by thanking Miss W for taking the time to respond to my provisional decision and for providing her comments. I've considered everything she's said very carefully. I'm disappointed to hear she feels a lack of empathy from me. In the lead up to issuing my findings, I'd taken the time to understand Miss W's situation and given her ample opportunity to provide any further information. And whilst she feels we've sided with the lender, I want to make it clear our service isn't on anyone's side – rather, we're an impartial service.

I don't doubt that, as Miss W has said, she was very vulnerable at the time and was spending her money on gambling. Considering this, I understand from Miss W's point of view, that it must be difficult to accept what I'm saying – that despite the reality of her situation, Nationwide didn't do anything wrong.

Fundamentally, I can only hold Nationwide responsible for what proportionate checks would have likely shown at the time. And for the reasons explained, I don't think proportionate checks would have revealed her gambling or her vulnerability. Although Miss W has said one of the Credit Reference Agencies reports gambling to banks, I haven't seen that's what's happened here. Moreover, Miss W wasn't using any of her Nationwide accounts to gamble. I won't be able to comment on why another of Miss W's complaints was upheld. Given Miss W has said in that instance, the lender knew about her gambling, that would be a key difference here. But what I can say is that each complaint is decided on its own merits. And so, it isn't a given that because other irresponsible lending complaints were upheld, that this one will be too.

In relation to Miss W's outgoings, whilst she's said she was contributing at that time by sending money to her ex-partner, I haven't seen evidence of this. I haven't asked Miss W to provide a statement from her partner as she's suggested, because I don't think this would change my mind. I say this because if she was transferring money or taking out regular cash to pay him, I'd expect to see this on her statements. Importantly, the regulations don't stipulate exactly what proportionate checks should look like. Nationwide were not obliged to request bank statements and so I don't agree with Miss W that in the absence of these, the loan wouldn't have been approved. Nationwide could have simply asked Miss W about her outgoings, for example. Had this happened, for the reasons explained in my provisional decision, I think the most likely outcome is that Nationwide would have understood Miss W didn't have any committed living expenditure at that time.

I'm also satisfied, having seen evidence of Nationwide's credit checks, that Miss W's existing debt was showing at £21,904 and therefore didn't appear to include the additional lending she took out just before this loan. It isn't likely an error as Miss W has suggested. Rather, I've explained in my provisional decision why it possibly wasn't showing and that, given the proximity of the lending, I haven't drawn any adverse inference from this. I therefore find Nationwide is entitled to rely on the credit check it carried out at the time of lending. I will provide evidence of Nationwide's credit check for Miss W, alongside this decision.

I've also explained in my provisional decision why I'm not telling Nationwide to write Miss W's debt off. I appreciate Miss W says she is still vulnerable and working through the fallout of what's happened to her. I don't doubt any of this. But she is making payments through her DAS and therefore showing that she can pay the debt, albeit via reduced payments. So, it wouldn't be appropriate for me to tell Nationwide to write off Miss W's debt at this time as she's currently evidencing she can make payments towards it. Although Miss W says she's making the payments to her detriment, her next course of action would be to raise this with her DAS provider and seek advice on this.

Therefore, I don't think Nationwide lent to Miss W irresponsibly nor am I telling it to write off the outstanding balance.

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 Miss W or otherwise treated her 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.

My final decision

For the reasons I’ve explained, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Miss W to accept or reject my decision before 23 December 2025.

Sophie Kyprianou
Ombudsman