

The complaint

Miss F complains that Nationwide Building Society (“Nationwide”) irresponsibly agreed loans for her.

What happened

Nationwide agreed a loan of £3,000 for Miss F in January 2020. It agreed a second loan a few months later in March, some of which was used to clear the first loan. Nationwide agreed a third loan for Miss F in June 2020, some of which was used to clear the second loan.

Miss F’s financial situation was impacted by the pandemic. I understand that she had an approved payment holiday in several months in 2020 and 2021 during which she made nominal payments towards her loan. Her third loan was repaid by a new agreement in March 2022.

I’ve summarised the details of the loans in the following table:

Loan	Date funded	Total amount provided	New capital	Total owed	Repayment	Term (months)
1	27/01/2020	£3,000	£3,000	£4,104.24	£48.86	84
2	30/03/2020	£7,949.88	£5,000	£12,050.64	£143.46	84
3	01/06/2020	£10,452.94	£2,621.44	£15,844.92	£188.63	84
4	16/03/2022	£10,648.24	-	£15,636.39	£203.07	77

Miss F says she had ongoing difficulties managing her finances, and entered into an Individual Voluntary Arrangement (IVA) in January 2023. The IVA included the outstanding balance on her fourth loan of £10,109 and balances from a credit card and overdraft Miss F held with Nationwide, amongst other debts. It is due to complete in February 2029 if it runs to term.

Miss F complained to Nationwide in June 2024 that the loans were unaffordable for her and her borrowing increased and eventually became unmanageable.

Nationwide didn’t uphold Miss F’s complaint. It said it completed all the necessary checks before lending to Miss F and she met its lending criteria on each occasion.

Miss F referred her complaint to us. Our investigator found that that Nationwide didn’t carry out proportionate checks before lending to Miss F. Such checks would likely have shown that the first and second loans were affordable for her, but the third loan would not have been. They concluded that Nationwide didn’t treat Miss F fairly when it entered into a third loan agreement and recommended that her complaint about this loan be upheld.

Miss F accepted this recommendation, but Nationwide didn’t and asked for the complaint to come to an ombudsman to decide.

I issued a provisional decision in September 2025 explaining why I planned to uphold Miss F's complaint in part. I shared the information I'd relied on with both parties and set out my proposals for what should happen to put things right. Miss F accepted my provisional decision, but Nationwide hasn't provided a response.

During our investigation into this complaint, Miss F told us that she also wanted to raise a complaint about her Nationwide credit card and overdraft facility. We explained to Miss F that she needed to bring a complaint about these to Nationwide in the first instance and, if she was not satisfied with the outcome, she could later refer the complaint to us.

My decision deals solely with Miss F's complaint about the above loans.

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 reviewed the matter again, and having no further comments or new information from either party, I see no reason to depart from my provisional conclusions. I'll set out again in this final decision my reasons for upholding Miss F's complaint in part.

In making my decision, I've also had regard to the regulator's rules and guidance on responsible lending (set out in its consumer credit handbook – CONC) which lenders, such as Nationwide, need to abide by. Nationwide will be aware of these, and our approach to this type of lending is set out on our website, so I won't refer to the regulations in detail here but will summarise them.

Before entering into a credit agreement, Nationwide needed to check that Miss F could afford to meet her repayments as they fell due out of her income, without having to borrow further or miss other payments, and without the repayments having significant adverse consequences on her financial situation.

The regulations weren't prescriptive about what checks should be carried out, but did state that the checks needed to be proportionate to the nature of the credit (the amount borrowed, for example) and take into consideration Miss F's circumstances. Nationwide had to bear in mind that certain factors might point towards a more rigorous assessment.

Overall, Nationwide needed to treat Miss F fairly and take full account of her interests when making its lending decisions. CONC 2.2.2G gave an example of contravening this as 'targeting customers with regulated credit agreements which are unsuitable for them by virtue of their indebtedness, poor credit history, age, health, disability or any other reason.'

With this in mind, my considerations are did Nationwide complete reasonable and proportionate checks when it agreed to lend to Miss F to satisfy itself that she would be able to repay the credit offered without difficulty? If it didn't do this, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Nationwide carried out and did it make a fair lending decision? Did Nationwide treat Miss F unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974?

Both parties have agreed that Nationwide wasn't irresponsible when it agreed a first and second loan for Miss F, so I won't revisit these. What remains in dispute is whether Nationwide was irresponsible when it agreed later loans.

Loan 3 taken out in June 2020

Nationwide provided the information it relied on when making this loan decision. This included Miss F's application form, summary information from her credit file and its affordability estimates. It also provided Miss F's current account statements, customer contact notes, copies of correspondence and loan account statements.

Miss F gave her net monthly income as £1,900 and her rent as £715 when she applied for this third loan. Nationwide sense-checked the income figure using a credit reference agency report, which it said provided confidence that the figure was reflective of Miss F's income.

Nationwide estimated that Miss F's household expenses came to £543 a month, and she spent £54 repaying debt. It also estimated that Miss F would be left with £399 disposable income each month after paying everything, including her new loan repayment of £189.

Our investigator found that Nationwide ought to have carried out a more rigorous check before approving a third loan for Miss F, and would have learnt that her income was lower and her expenses higher than the figures Nationwide relied on, leaving her with a monthly disposable income of around £80.

In response to our investigator's view, Nationwide said that even if it had estimated Miss F's monthly disposable income to be £80, this would have been within its risk appetite for lending and the loan would have been approved. Nationwide also said that the regulations didn't ask for a full assessment of how an applicant spends all their money.

As Nationwide will know, it was required to check that Miss F could afford the repayments without them having a significant adverse impact on her financial situation, not simply that they would be affordable in a 'pounds and pence' sense. It also needed to treat Miss F fairly and take full account of her interests when making its lending decision

The regulations state that lenders may have regard, where appropriate, to the purpose for which the customer intends to use the credit, and I think this is particularly relevant in this case. Miss F said the loan purpose was to pay for a car/vehicle. She'd given this as her reason for taking out each of her first two loans. However, aside from paying £1,288 and £739 towards her Nationwide credit card balance with loans 1 and 2 respectively, Miss F had used the money borrowed for living costs and other spending.

Nationwide might not have always taken this information into account when making its lending decisions but it held this information as Miss F's current account provider. And I think it would have been reasonable and proportionate to have done so in this case. This information suggests it was highly unlikely Miss F would use the new loan capital of £2,621 for its intended purpose, and that she'd been spending beyond her means for some time.

This was the third loan agreed for Miss F in around four months, taking her total capital borrowed to over £10,500. I note that Nationwide had increased Miss F's credit card limit by £500 within this period. Taking everything into account, I don't think Nationwide treated Miss F fairly and with regard to her interests when it agreed a third loan for her, and I am upholding her complaint about it.

As mentioned above, this third loan was repaid under a fourth agreement started in March 2022. I haven't seen anything which suggests Miss F's finances had significantly improved since the third agreement, and it follows that I've concluded that Nationwide was irresponsible when it entered into a fourth agreement.

Miss F met her repayments under this fourth agreement until December 2022 when her direct debit payment was returned. She entered into an IVA in January 2023, and a loan balance of £10,109 was included in this. I understand that the arrangement is ongoing, and scheduled to end in February 2029.

I did also consider whether Nationwide treated Miss F unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. I'm satisfied the redress I have directed below results in fair compensation for Miss F in the circumstances of this complaint and that no additional award would be appropriate in this case.

Putting things right

I've concluded that Nationwide was irresponsible to have lent to Miss F in June 2020 and March 2022. I think it's fair that Miss F repays the capital amounts she borrowed as she's had the use of the money. However, I don't think it's fair that she pays any interest, fees or premiums charged under the June 2020 or March 2022 agreements.

Loan 3

To put things right for Miss F regarding her third loan, Nationwide should:

1. Cap the amount owed under the agreement at no more than the capital amount borrowed, this being £10,452.94;
2. Consider all payments made under this agreement as payments towards the capital amount;
3. Refund everything Miss F paid above this amount, along with 8% simple interest per annum from the date of payment to the date of refund **;
4. Remove any adverse information about this loan from Miss F's credit file.

** Miss F's IVA supervisor has told us they have an interest in this complaint and any redress due. Therefore, the redress I've recommended should be paid directly to the supervisor to distribute as they see fit to ensure Miss F remains compliant with the IVA.

Loan 4

To put things right for Miss F regarding the fourth loan agreement, Nationwide should:

1. Cap the amount owed under this agreement at no more than the amount borrowed, this being £10,648.24;
2. Consider all payments made under this agreement as payments towards this capital amount;
3. Remove any adverse information about this loan from Miss F's credit file once settled.

As mentioned, Miss F entered into an IVA and the outstanding balance for this loan was included in the arrangement. If the IVA continues as agreed then Nationwide doesn't need to take any action, as it's likely Miss F will not repay more than the capital amount she borrowed. If the IVA does not complete and Nationwide seeks to collect the debt by other means, then it needs to carry out Steps 1 and 2 above. In any case, Nationwide should carry out Step 3.

My final decision

For the reasons I've explained above I am partly upholding Miss F's complaint about Nationwide Building Society and it now needs to put things right for her as I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 9 January 2026.

Michelle Boundy
Ombudsman