

## **The complaint**

Mr O complains that Nationwide Building Society should not have given him a personal loan. He says he was already using his overdraft a lot and he also had a credit card with the bank. He says the loan was said to be for consolidation but it was too small to help his position.

This decision is about the personal loan only. I am not making findings about his overdraft or his credit card. I have only considered them as background to understand whether lending the loan was fair

## **What happened**

On 4 April 2025 the bank gave Mr O a loan of £2,000. The rate was 29.9% APR over 24 months and the monthly payment was £108.20. The stated purpose was consolidation. At the time he had a bank overdraft with a £5,000 limit and a credit card with a £1,950 limit. In the week before the loan his account balance moved between about minus £3,785 and minus £4,498 and since the start of 2025 he had often been more than £2,000 overdrawn.

Mr O said the bank should have seen he was persistently overdrawn and also using his card, so the loan was not a good idea for him. He said his mother sent him £408 a month to help him cope, which showed he was struggling.

The bank said it made proportionate checks for a £2,000 loan. It said Mr O declared a net income of £2,000 a month and rent of £575 a month. A credit search showed total unsecured debt of £12,098 in February 2025 and £10,589 in April 2025, with monthly payments of £178 and no court judgments or other adverse markers. It calculated that after the loan payment Mr O would have about £306.52 left each month. It said the decision to lend was fair.

Our service later said the checks were reasonable for the amount, but lending the loan was not fair for Mr O in his situation. We said a £2,000 loan was unlikely to reduce his outgoings or improve sustainability when his account was already heavily and persistently overdrawn and the loan would not clear the overdraft.

Mr O agreed with our view and asked for his complaint to be upheld. Nationwide did not agree and asked for an Ombudsman to make a final 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.

I have considered everything carefully. I know money worries are hard, and I do not underestimate how stressful this has been for Mr O.

I agree that the checks for a £2,000 loan were reasonable. But reasonable checks do not, by themselves, make lending fair. I must look at what the bank already knew about Mr O and whether giving this loan was likely to help him manage his money, or make things worse.

The bank knew the loan was said to be for consolidation. It also had first hand sight of Mr O's current account. In early 2025 he was persistently and heavily overdrawn. In the week before the loan his balance moved between about minus £3,785 and minus £4,498, and since the start of the year he had often been more than £2,000 overdrawn. Mr O's declared net income was £2,000 a month and he said his rent was £575 a month. The bank's own search showed monthly payments of £178 to other unsecured debts and the new loan would add £108.20. He was also getting £408 a month from his mother to help him cope. Taken together, that left little realistic scope to start paying down an overdraft of this size while keeping up with other debts and a new fixed payment. In that setting, adding a new £108.20 each month was likely to increase pressure unless the overdraft was actually reduced and kept down.

The bank says it tested affordability as if no consolidation happened. I do not think that makes it fair to lend here. If no debts reduce, the loan simply adds a new monthly bill on top of an overdraft that is already being used most of the time. A lower rate on the loan does not help if cash going out each month goes up because the overdraft stays in use. So the bank's approach to testing the loan "on its own" does not answer the point that Mr O was already stuck in his overdraft and was likely to keep using it.

I am not saying a consolidation loan must clear most debts. But size and context matter. Here, £2,000 was against unsecured debts of about £10,500 to £12,100 and it would not even clear the overdraft with the same bank. Without firm steps to change how the account was managed, the overdraft could build up again and the loan would then sit on top. That risk was obvious from the bank's own records at the time. If the aim was to help consolidate, the bank could have used the funds to reduce the overdraft straight away and reduced the overdraft limit so any benefit would last. It did not do that.

Taking this all together, even though the checks themselves were reasonable for the amount, I do not think the decision to lend was fair for Mr O in April 2025. The loan was unlikely to reduce his outgoings or improve sustainability and was more likely to make his position harder.

In reaching my conclusions, I've also considered whether the lending relationship between Nationwide Building Society and Mr O might have been unfair to Mr O under s.140A of the Consumer Credit Act 1974. However, I'm satisfied that what I direct Nationwide Building Society to do below results in fair compensation for Mr O given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

### **Putting things right**

To put things right, Nationwide Building Society should:

- remove all interest and charges from the loan and treat everything Mr O has already paid as payments towards the amount he borrowed. If he has paid more than the £2,000 he received, Nationwide should refund the extra.
- It should then add simple interest at 8% a year to those overpayments from the date each was made to the date of settlement. †
- if no outstanding balance remains after all adjustments have been made, all adverse information Better Borrow recorded about this loan should be removed from Mr O's credit file.

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

### **My final decision**

My final decision is that I uphold Mr O's complaint about Nationwide Building Society on the provision of a £2,000 loan.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 15 April 2026.

Marco Silva  
**Ombudsman**