

Complaint

Mr P has complained that Nationwide Building Society (“Nationwide”) unfairly provided him with unaffordable loans. He’s said that Nationwide continued to provide him with loans even though his indebtedness was growing and the loans were unsustainable.

Background

Mr P has also complained about an overdraft and credit card which Nationwide provided to him. We’ve explained that we’re considering those complaints separately from Mr P’s loan complaint and this decision is only looking at whether Nationwide acted fairly and reasonably when providing Mr P with his loans.

Nationwide provided Mr P with a total of six loans. As far as I can see Mr P’s loan history was as follows:

Loan	Taken	Amount	To earlier loan*	New funds	Settled	Term	Repayment**
1	April 2017	£10,000.00	£0	£10,000.00	May 2017	60	£182.11
2	May 2017	£24,958.48	£9,858.48	£15,100.00	September 2019	84	£438.41
3	September 2019	£21,554.83	£15,554.83	£6,000.00	January 2020	50	£601.80
4	January 2020	£24,708.05	£20,808.05	£3,900.00	August 2021	45	£624.48
5	August 2021	£15,613.76	£14,613.76	£1,000.00	February 2023	26	£620.06
6	April 2022	£2,000.00	£0	£2,000.00	Closed early	84	£47.40

* amount that went to settling Mr P’s previous loan

** monthly

Mr P’s complaint was reviewed by one of our investigators. He thought that Nationwide hadn’t done anything wrong or treated Mr P unfairly when providing the first two loans. However, he didn’t think that Nationwide had acted fairly and reasonably towards Mr P in providing loans 3 to 6 to Mr P. So he partially upheld Mr P’s complaint.

Mr P agreed with our investigator’s assessment and confirmed that he was no longer complaining about loans 1 and 2. However, Nationwide disagreed with our investigator’s view on loans 3 to 6 and asked for the case to be passed to an ombudsman for review.

As the parties are in agreement on loans 1 and 2, this final decision is only considering whether Nationwide acted fairly and reasonably towards Mr P when providing loans 3 to 6 to him.

My findings

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

We’ve set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when deciding Mr P’s complaint.

Having carefully thought about everything, I think that there are two overarching questions that I need to answer in order to fairly and reasonably decide Mr P's complaint.

These two overarching questions are:

- Did Nationwide complete reasonable and proportionate checks to satisfy itself that Mr P would be able to repay his loans in a sustainable way?
 - If so, did it make a fair decision?
 - If not, would those checks have shown that Mr P would've been able to do so?
- Did Nationwide act unfairly or unreasonably in some other way?

If I determine that Nationwide didn't act fairly and reasonably in its dealing with Mr P and that he has lost out as a result, I will go on to consider what is fair compensation.

Did Nationwide complete reasonable and proportionate checks to satisfy itself that Mr P would be able to meet repay his loans in a sustainable way?

The rules, regulations and good industry practice in place throughout the period Nationwide lent to Mr P required it to carry out a reasonable and proportionate assessment of whether he could afford to repay his loans in a sustainable manner. This assessment is sometimes referred to as an "affordability assessment" or "affordability check".

The checks had to be "borrower" focused – so Nationwide had to think about whether repaying the loans sustainably would cause difficulties or adverse consequences for Mr P. In practice this meant that Nationwide had to ensure that making the payments to the loan wouldn't cause Mr P undue difficulty or adverse consequences. In other words, it wasn't enough for Nationwide to simply think about the likelihood of Mr P making payments, it had to consider the impact of loan repayments on Mr P.

Checks also had to be "proportionate" to the specific circumstances of the application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. Even for the same customer, a proportionate check could look different for different applications.

In light of this, I think that a reasonable and proportionate check ought generally to have been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- the *longer* the term of the loan (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make payments for an extended period); and

- the *greater* the number and frequency of loans, and the longer the period of time during which a customer has been given loans (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances.

I've carefully thought about all of the relevant factors in this case.

Were Nationwide's checks reasonable and proportionate?

Nationwide has said that it completed an income and expenditure assessment with Mr P before providing all of these loans. It said that it considers it did enough to establish that all four of the loans that I'm considering as part of this complaint were affordable. I've considered what it did for each loan and the position at the respective times.

Loan 3 was provided in September 2019, was for £21,554.83, had an APR of 18.1% and was due to be repaid in 50 monthly repayments of £601.80. The purpose of this loan was recorded as holiday. However, as well over £15,000.00 was going towards repaying the outstanding balance on loan 2 and Mr P was only receiving £6,000.00 in new funds, in reality a major proportion of the funds were being used to consolidate existing debt.

I understand that Nationwide carried out a credit check on Mr P before providing this loan. And this credit check showed that Mr P didn't have any significant adverse information – such as defaults or County Court Judgments (“CCJ”) – recorded against him at this time. However, while there has been discussion about what this means and what this required Nationwide to do, I think it's fair to say that Mr P had a relatively high debt to income ratio.

Nationwide has said that Mr P's debt to income ratio was within its parameters and it would have been disproportionate to expect it to have done more in circumstances where this would have resulted in it referring an additional 2,000 loan applications for extra checks in the month of September 2019, when less than 5% of customers of these customers went into arrears more than seven years later.

I'm unclear of the relevance of Nationwide referring to seven years. However, in any event, its arguments here appear to be more concerned with its credit risk – i.e. the chance of Nationwide getting its money back – rather than the affordability risk – i.e. whether the customer was able to make their monthly repayments without experiencing significant adverse consequences.

I also think that Nationwide has overlooked the fact that Mr P was not only a repeat borrower, but he was also a customer that had previously taken a consolidation loan and was now returning for further funds, owing even more. Given Mr P was consolidating more than £15,500.00 of existing debt at an interest rate that was significantly higher than the rate he had and this wasn't the first time he was taking such a course of action, I think that Nationwide ought to have had some concerns.

This is especially when this is combined with the fact that Nationwide appears to have recorded that Mr P was no longer living at home with parents and would therefore have had other living costs. Indeed, it appears as though the assumed household expenditure didn't reflect this change in circumstances, as it looks to have been the same as what it was when Nationwide concluded that Mr P lived with his parents.

Bearing in mind all of this, I think that Nationwide needed to find out more about Mr P's actual circumstances before agreeing to provide him with loan 3. I'm not persuaded that there were 2,000 other Nationwide customers that had exactly the same circumstances as Mr P in September 2019, of which 95% would clearly have had no difficulty making their payments. Furthermore, even if I was prepared to accept Nationwide's statistic that 95% of its customers granted loans in this period didn't go on to experience difficulty, I'm satisfied that there was enough here to indicate that Mr P could have fallen within the 5% of customers that would go on to experience difficulty.

In these circumstances, I think that there was enough here to warrant Nationwide getting a better understanding of Mr P's circumstances and better understand why he wanted further borrowing and how he was going to afford this.

As I can't see that Nationwide did do this, or that it asked Mr P to provide anything more than he had done for loans 1 and 2 despite him now applying for funds for a third time, I'm satisfied that it didn't complete fair, reasonable and proportionate affordability checks before providing loan 3 to Mr P.

For the sake of clarity and to make things easier to follow, I've grouped together my thoughts on the checks carried out prior to loans 4 to 6. Loan 4 was provided in January 2020 was for £24,708.05. I understand that just over £20,000.00 went towards settling the outstanding balance on loan 3. And the remainder of the funds were to be used to consolidate credit card debt. Loan 5 was also provided for consolidation purposes although Mr P was provided with a further £1,000.00. While loan 6 was a separate loan for £2,000.00, the loan purpose recorded at this time was consolidation.

I think that Nationwide ought to have been concerned that these were now Mr P's fourth, fifth and sixth loan applications. And all bar one of the previous loans, had been paid with further loans. So in reality, by the time of loan six, Mr P had only proven himself able to repay one of his previous five loans without borrowing further. This is also in the context of Mr P's external indebtedness increasing. At the time of loan 4 Mr P's external indebtedness had increased to £24,169, by loan 5 it was £32,701 and by loan 6 it was £43,651.

Bearing in mind the purpose of a consolidation loan, which was the recorded purpose of all three of these loans, is to help an individual reduce what they owe over time, I think that Nationwide had reasons to be concerned. Mr P was continually returning for consolidation loans and yet his finances didn't seem to be improving. For loans 4 to 6, I don't think that there was any reasonable basis for Nationwide to conclude that these consolidation loans were improving Mr P's finances. In fact, the credit check information that Nationwide obtained and which I've referred to above, suggested the opposite was the case.

Yet despite this, I can't see that Nationwide did much more than what it had done when it agree to provide loans 1 to 3 to Mr P, when providing loans 4 to 6. In my view, Mr P's increasing indebtedness ought to have caused Nationwide some concern. And not only should it have asked Mr P further questions about his living costs and regular non-credit related expenditure, I think that Nationwide needed to take further steps to verify whatever Mr P said about his expenditure too.

Nationwide could have done this by checking information such as bank statements or copies of bills. Indeed, as Mr P's main current account was with Nationwide, it's clear that Nationwide had access to this information. But Nationwide chose to ignore it and instead rely on its usual process for assessing singular applications. It doesn't appear to have done anything taking account of the fact that Mr P was a repeat borrower and was repeatedly applying for consolidation loans despite being more heavily indebted.

Indeed, Mr P's pattern of borrowing was, at the very least, unusual and arguably erratic. I don't think that this many loan applications, over such a period, with at least a couple of the loans were consolidating earlier loans at much higher rates of interest is reflective of the typical customer. That's not even taking into account any applications for credit which Mr P will have been making elsewhere. It's unclear to me what led Nationwide to conclude that Mr P had a typical borrowing history.

In my view, by the time of loan 4 (as well as the later loans) Nationwide needed to properly scrutinise Mr P's finances and ensure that he did have enough funds to be able to make the payments before it arranged this loan.

As Nationwide did not find out more about Mr P's circumstances, or didn't ask Mr P to provide much more than he had done for loans 1 to 2 despite all of this and his, what on the face of things appeared to be, increasing indebtedness, I'm satisfied that it didn't complete fair, reasonable and proportionate affordability checks before providing loans 3 to 6 to Mr P.

Would reasonable and proportionate checks have shown Nationwide that Mr P would not have been able to sustainably repay loans 3 to 6?

Before providing loans 3 to 6, I think that Nationwide needed to find out more about Mr P's actual expenditure before agreeing to lend to him. I've consulted Mr P's current account statements with a view to determining what proportionate checks are more likely than not to have shown. I've not taken this course of action lightly, as it isn't always the case that a lender should review current account statements when determining whether to lend to a customer.

However, I'm satisfied that there are a few reasons why it is perfectly fair and reasonable for me to review Mr P's statements in this case. In the first instance, I'm having to review what proportionate checks are likely to have shown a number of years after these respective checks ought to have been carried out. And the current account statements, in one place, contain all of the information that I require to be able to do this.

Secondly, Mr P's current account was with Nationwide. Therefore, this is information that Nationwide had and which it could have chosen to consult had it wished to do so. For the sake of completeness, I would add that I wouldn't expect a lender to consider bank statements solely because a prospective borrower may hold their main current account with that lender. And had I been required to consider the complaint about loans 1 and 2, it is unlikely that I would have concluded that Nationwide ought to have considered Mr P's current account statements simply because he had a current account with it.

However, by the time that Mr P was applying for loan 3 Nationwide ought to have got to the bottom of the erratic nature of Mr P's borrowing – particularly as his external indebtedness had increased when he'd taken previous consolidation loans in order to improve his financial position. And I don't think that Nationwide should have agreed to provide loans 3 to 6 to Mr P unless and until it received clarity on why he had been borrowing in the way that he had.

As Nationwide had these current account statements and a lender's previous dealing with a borrower is a relevant consideration, when considering whether it is fair and reasonable for a lender to lend to a customer, I don't think it unreasonable for it to have paid some regard to this information. This is especially as it needed to understand how and why Mr P wanted and needed to borrow so frequently and why he was coming back for further consolidation loans owing more.

Finally, I'm also mindful that Mr P had an overdraft on his current account, which in any event Nationwide was required to review. So it seems to me that it would in any event have

been, or at the very least it ought to have been, reviewing Mr P's current account at the respective times and irrespective of these loan applications too.

With all of this mind, I'm satisfied that it is not only fair and reasonable for me to consider Mr P's Nationwide statements in this instance but the activity on Mr P's Nationwide current account is wholly relevant to my determination of what proportionate checks is likely to have shown Nationwide at the time of the applications for loans 4 to 6.

Having looked at Mr P's Nationwide current account statements throughout the period concerned it is clear that Mr P is gambling substantial sums of money from his Nationwide account. Mr P is also borrowing from a number of short-term and payday type lenders in this period too.

I appreciate that Nationwide says that Mr P's payday loans didn't show in its credit checks. However, even a superficial look at his current account statements show all of this. Indeed, a cursory review of the current account statements clearly show that Mr P's increasing indebtedness is down to his payday and other unsustainable borrowing which he was taking out because he was spending significant amounts of money gambling. And providing further 'consolidation loans' in these circumstances was unlikely to help or improve his position. On the contrary further funds would more likely worsen matters.

In these circumstances, the important thing to draw out is that the information Nationwide held, but chose not to review, indicated that Mr P's ability to make the repayments to his loans would in large part be dependent on his success as a gambler. And if he failed in this regard his fallback plan was borrowing further. As he'd been able to in order to repay his previous Nationwide loans. Given this, it is apparent to me that Mr P was unlikely to have been able to repay his loans without borrowing further or experiencing financial difficulty.

As this is the case and bearing in mind that I think that this is likely to have been what reasonable proportionate checks will have shown, I think that Mr P's existing financial position at the time of his applications for loans 3 to 6 meant that he was unlikely to be able to afford the repayments to these loans, without undue difficulty or borrowing further. And I'm therefore satisfied that reasonable and proportionate checks would more likely than not have shown Nationwide that it shouldn't have provided loans 3 to 6 to Mr P.

In the alternative and in conjunction with my finding above, I'm also satisfied that Nationwide provided loans 3 to 6, in circumstances where it ought reasonably to have realised that it was increasing Mr P's indebtedness in a way that was likely to be unsustainable or otherwise harmful for him.

So overall and having carefully considered everything, I'm satisfied that proportionate checks would have shown that Nationwide that it shouldn't have provided loans 3 to 6 to Mr P. As it Nationwide did provide these loans in these circumstances, I'm satisfied that Nationwide failed to act fairly and reasonably towards Mr P - in relation to loans 3 to 6 and that his complaint about these loans should be upheld as a result.

Did Nationwide act unfairly or unreasonably towards Mr P in some other way?

I've carefully thought about everything provided. And having done so, I've not seen anything to suggest that Nationwide acted unfairly or unreasonably towards Mr P in some other way. So I don't think Nationwide did act unfairly or unreasonably towards Mr P in some other way.

Did Mr P lose out as a result of Nationwide unfairly providing him with these loans?

As Mr P has paid a significant amount of interest and charges as result of Nationwide providing four loans that Mr P shouldn't have been provided with, I'm satisfied that he has lost out as a result of what Nationwide did wrong.

I'm therefore satisfied that Nationwide needs to put things right.

In reaching my conclusions, I've also considered whether the lending relationship between Nationwide and Mr P might have been unfair to Mr P under section 140A of the Consumer Credit Act 1974.

However, I'm satisfied that what I direct Nationwide to do below results in fair compensation for Mr P given the overall circumstances of his complaint. I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Fair compensation – Nationwide needs to do to put things right for Mr P

Having considered everything, I'm intending to issue a final decision which directs Nationwide to put things right for Mr P in the following way:

- refunding all the interest, fees and charges Mr P paid on loans 3 to 6;
- add interest at 8% per year simple on any refunded interest, fees and charges for loans 3 to 6 from the date they were paid by Mr P to the date of settlement†;
- removing any and all adverse information that Nationwide may have recorded about loans 3 to 6 from Mr P's credit file.

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

My final decision

For the reasons I've explained, I'm upholding Mr P's complaint. Nationwide Building Society that it should put things right for Mr P in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 25 February 2026.

Jeshen Narayanan
Ombudsman