

The complaint

Mr M complains that Nationwide Building Society gave him an overdraft he couldn't afford to repay.

What happened

Mr M held a current account with Nationwide. In November 2022, he applied for an overdraft facility on the account. Nationwide gave him an initial limit of £600. The same day, Mr M applied to increase that limit and Nationwide approved a £1,000 overdraft. Three days later Mr M requested another increase and was given a limit of £1,800.

In 2025, Mr M complained to Nationwide to say that he should not have been given the overdraft and subsequent limit increases. He said he was a student at the time with limited income and had a gambling problem. He said Nationwide did not complete adequate checks before lending.

Nationwide didn't think it had acted unfairly. It said that its checks didn't reveal any affordability concerns and Mr M's current account activity prior to applying for the overdraft showed he was receiving regular credits into the account.

Our investigator recommended the complaint be upheld. He didn't think the checks Nationwide completed before granting the overdraft facility were reasonable and proportionate. He said reasonable checks would likely have shown that Mr M's income was low and that he was gambling substantially more than he could afford. He didn't think a fair lending decision was made in granting Mr M with an overdraft.

Nationwide didn't agree. In summary, it said that its automated system didn't identify any concerns related to volume gambling in the months leading up to the overdraft applications. It said while the gambling volume had increased in the September 2022 statement, it had decreased again the following month. It said it wouldn't deny an overdraft just because there was a higher level of gambling in one month.

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.

Before lending to Mr M, Nationwide needed to complete checks to satisfy itself that he could afford to sustainably repay the borrowing. The rules and guidance in place required it to complete checks that were proportionate. What is considered proportionate will vary with each lending decision depending on the specific circumstances. In deciding what might be proportionate, Nationwide needed to take into account things such as (but not limited to): the amount borrowed, the type of borrowing, the cost of borrowing and Mr M's circumstances.

As part of the initial overdraft application Nationwide says it didn't record any income for

Mr M but noted that his regular household expenditure was around £500 per month. I don't think the checks Nationwide completed were reasonable or proportionate. It appears to have given Mr M the overdraft without knowing or estimating what his income was likely to be. Without taking into account Mr M's income, I don't see how it could have concluded he could afford to repay any borrowing.

For the further application later that day Nationwide recorded an annual income figure of around £4,500 for Mr M. I think even if it had recorded this on the first application too, it ought to have been clear the overdraft was unlikely to be sustainably affordable to Mr M.

I say this because not only was Mr M's declared annual income of around £4,500 not enough to cover his essential expenditure for the full year that Nationwide had recorded. Using the figure of around £500 per month, Mr M only had enough income to sustain his outgoings for nine, possibly ten months of the year. I don't see how he could also service overdraft borrowing out of that income too.

As Mr M already had a customer relationship with Nationwide (he held two current accounts and two savings accounts), I think Nationwide also needed to take into account what it knew about Mr M from that existing relationship when assessing affordability for the overdraft lending.

Nationwide says that Mr M's gambling activity on his current account didn't flag any concerns with its automated system. However, that doesn't mean the checks it did were proportionate or that the lending decision it made was reasonable or fair.

Mr M did not appear to have a regular income. He was a student and received infrequent student loan funds to cover essential living costs. The annual income figure of around £4,500 that he declared on the second overdraft application appears to have been broadly accurate. Any cursory review of Mr M's account activity prior to first granting him the overdraft facility ought reasonably to have revealed to Nationwide that Mr M's income was very limited.

Having reviewed Mr M's account activity in both of his Nationwide current accounts in the months leading up to the first lending decision, I am satisfied that Nationwide's lending decision was irresponsible. There was clear evidence available to it that any borrowing would most likely cause Mr M financial difficulties.

Mr M was regularly gambling substantial amounts when compared to his income. In June, July and September 2022, his monthly gambling averaged around £400. In August 2022, he gambled in excess of £2,000 in one month. Further, across those four months Mr M had no less than 11 returned direct debits on his accounts highlighting that his gambling might be impacting his ability to regularly meet his essential committed expenditure.

I don't therefore agree with Nationwide that Mr M's gambling was only problematic for one month in isolation. Looking back through his current account, there is a similar pattern of gambling going back many more months. While the gambling volume was substantially higher in August 2022 compared to other months, that doesn't mean the other gambling was insignificant or inconsequential. Mr M was clearly gambling far more than he could afford and his Nationwide account activity demonstrated this.

I accept that in October 2022, the month before the overdraft lending decision, Mr M's gambling activity had declined to under £100 in that month and he had not had any returned direct debits. However, I don't think this means it was reasonable for Nationwide to take the view that Mr M could sustainably afford to repay an overdraft facility.

The day before the overdraft application, Mr M once again put through a number of gambling transactions in a similar way to how he had been previously. Further, he had also been overdrawn on his other current account for over a month, something that doesn't appear to have happened previously. Further, as I've highlighted previously, even without the gambling transactions it appeared likely Mr M's income was insufficient to meet his regular expenditure.

Overall, I've not seen anything to persuade me that Nationwide made a fair lending decision when it granted Mr M with an overdraft in November 2022. I don't think the checks it did were proportionate, and had it done more I think it ought to have seen that he could not sustainably afford to repay any overdraft borrowing. I therefore think it ought to now put things right.

It isn't possible to undo the lending decisions. As Mr M has used the money he borrowed I think it's fair he pays that back. However, I don't think he should have to pay any costs for borrowing that money as it should never have been provided to him. Therefore, I think Nationwide should re-work the account removing all interest, fees and charges it has applied since November 2022. If the re-work results in a credit balance then this should be refunded to Mr M along with 8% simple interest per year from the date of the overpayment to the date of settlement. Once Mr M has cleared the outstanding balance Nationwide should also remove any adverse information it might have recorded on his credit file in relation to this account since November 2022.

My final decision

For the reasons given above, I uphold this complaint and direct Nationwide Building Society to:

- Re-work the account removing all interest, fees and charges (not already refunded) from November 2022 onwards.
- If the re-work results in a credit balance, this should be refunded to Mr M as an overpayment. Nationwide should add 8% simple interest per year onto any overpayment from the date of the overpayments to the date of settlement.
- Or, if after the re-work there is still an outstanding balance owed, Nationwide should arrange an affordable repayment plan with Mr M for that amount.
- Once the outstanding balance has been cleared, Nationwide should remove any adverse information it may have recorded on Mr M's credit file in relation to this account since November 2022.

If Nationwide considers tax should be deducted from the interest element of my award it should provide Mr M with a certificate showing how much it has deducted so that he can reclaim that amount, if he is eligible to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 23 February 2026.

Tero Hiltunen
Ombudsman