

## The complaint

Mrs O says Nationwide Building Society irresponsibly lent to her.

## What happened

Mrs O took out two loans from Nationwide. The first, in February 2022, was for £10,000 over 36 months with monthly repayments of £335.64. The second, in September 2024, was a top-up loan for £11,941.60 over 48 months with monthly repayments of £305.12. The stated purpose of both loans was debt consolidation.

Mrs O says she was in debt at the time of both applications, and it was increasing. Nationwide says her applications passed all of its affordability checks.

Our investigator upheld Mrs O's complaint in part. He found it was fair to have given loan 1 to Mrs O, but better checks were needed for loan 2. These would have shown it was not affordable.

Mrs O accepted this assessment. Nationwide did not and asked for an ombudsman's review.

It said, in summary, if further checks were undertaken each time an applicant had more debt when they returned for a second loan, it would result in hundreds of thousands of loan applications across the UK going through unreasonable and disproportionate checks.

It added that regarding an acceptable level of disposable income, it's impossible to take every possible unexpected scenario an applicant might face into account when determining affordability. The two examples given in the investigator's assessment suggest that applicants should have hundreds of pounds of disposable income in order to be approved for an unsecured loan. This is detached from the actuality of unsecured lending.

I reached the same conclusion as the investigator, but I relied on different findings. So I issued a provisional decision, an extract follows and forms part of this final decision. I asked for any comments or new evidence by 10 February 2026.

### *Extract from my provisional decision*

*As the parties are no longer in dispute about loan 1, my focus here is on the second loan, albeit with regard to the fact Nationwide had previously lent to Mrs O which gave it additional insight and data.*

*Nationwide says Mrs O's second application passed all of its affordability checks.*

*I have reviewed these checks. Nationwide asked Mrs O for her income and housing costs. It was able to successfully verify her income with a high level of confidence through one of the credit reference agencies. It completed a credit check to understand her monthly repayments towards outstanding credit elsewhere, and her credit history. It estimated her living costs using national statistics. Based on all the information it gathered Nationwide concluded Mrs O would have £71.84 monthly disposable income after taking on this loan,*

*and it was therefore affordable.*

*I am not wholly satisfied these checks were proportionate given that Mrs O's debt had grown by 100% since her application for loan 1 just 19 months before, and that loan was for debt consolidation. However, I need not comment further on this as even based on the information it had I don't find Nationwide made a fair lending decision. I'll explain why.*

*From its checks, that it believes were proportionate, Nationwide understood that Mrs O would be left with £71.84 a month. This would need to cover all unexpected and seasonal expenses over the four-year term of this loan. It also understood that giving this loan to Mrs O meant she would need to spend 55% of her verified income on repaying her debts each month. These two factors combined ought to have led Nationwide to consider that the lending was not sustainable – i.e. there was a real risk that Mrs O would not be able to make her repayments without borrowing to repay or suffering some other adverse financial consequences. And it needed to consider this to meet its regulatory obligations.*

*I have thought carefully about the fact the stated purpose of the loan was debt consolidation which ought to have reduced Mrs O's monthly outgoings. But this was the second time she had applied for lending from Nationwide for this reason, and she did not appear to have a history of successful consolidation. She had returned for a second loan carrying double the amount of debt within just 19 months. So, loan 1 did not seem to have in any way improved her financial position. Her total indebtedness had increased from £19,131 to £38,468 and within that her revolving debt from £9,910 to £28,970. Her monthly credit commitments had increased from £735 when she applied for loan 1 to £1,340.68 at the time of loan 2. And I cannot see Nationwide took any steps to understand which debts Mrs O intended to settle and how this would impact her circumstances, as a number of other lenders do.*

*Whilst we would typically find it is reasonable for a lender to rely on an applicant's stated loan purpose, here there is available evidence that this may not go to plan, and no reduction in debt would leave Mrs O with too low a level of disposable income, so I cannot fairly conclude such lending was responsible.*

*I think there were clear indicators that Mrs O would most likely go on to struggle to repay this debt and not be able to make her repayments sustainably, as indeed was the case.*

*It follows I think Nationwide was wrong to give loan 2 to Mrs O.*

I then set out what Nationwide would need to do to put things right.

Mrs O accepted my provisional decision. Nationwide did not respond.

### **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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when considering Mrs O's complaint.

As neither party submitted any comments or new information I have no reason to change the findings or conclusion in my provisional decision.

It follows I find Nationwide was wrong to give loan 2 to Mrs O.

## **Putting things right for loan 2**

In this case, I think it's right that Mrs O should have to repay the capital she borrowed as she had the use of that money. But it is unfair that she should pay interest and charges on a loan that should not have been given.

So Nationwide should:

Add up the total amount of money Mrs O received as a result of having been given the loan. The repayments Mrs O made should be deducted from this amount.

a) If this results in Mrs O having paid more than she received, any overpayments should be refunded along with 8% simple interest\* (calculated from the date the overpayments were made until the date of settlement). Nationwide should also remove all adverse information regarding this loan from Mrs O's credit file.

b) If any capital balance remains outstanding, then Nationwide should attempt to arrange an affordable and suitable payment plan with Mrs O. Once Mrs O has cleared the balance, any adverse information in relation to this loan should be removed from her credit file.

\*HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mrs O a certificate showing how much tax it's taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Mrs O in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

### **My final decision**

I am upholding Mrs O's complaint in part with regards to loan 2. Nationwide Building Society must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 11 March 2026.

Rebecca Connelley  
**Ombudsman**