

The complaint

Mr P says Nationwide Building Society (Nationwide), irresponsibly lent to him. He says that it didn't take reasonable steps to ensure he could afford the repayments towards some personal loans. He says that the loans were unaffordable for him.

What happened

This complaint is about several personal loan agreements that Mr P took out. Mr P first borrowed from Nationwide in November 2017. He increased this loan and refinanced it what looks to be eight times. There is limited information about this lending, but I've seen a statement from May 2019 where Mr P owed £22,099.38 and he was paying £375 a month to this. I can see from his bank statements that he paid to this lending until around September 2019.

These early loans were taken over six years before Mr P made his complaint; Nationwide didn't think that the Financial Ombudsman should consider this earlier lending and Mr P has agreed these early loans aren't part of his complaint. I've borne in mind this lending when he took the later loans and, I've assumed that the amount of credit Mr P had with Nationwide is reflected in the information it used to assess the lending.

The other loans Mr P took, and the lending I've considered as part of this complaint, are as follows:

Loan number	Start date	Amount borrowed	Term (months)	Monthly repayment	End date
Loan 1	Jul-19	£1,237	12	N/A	Jul-19
Loan 2	Sep-19	£1,738	48	£48.85	Jul-21
Loan 3	Oct-21	£5,000	36	£155.61	Nov-21
Loan 4	Apr-22	£3,500	84	N/A	Apr-22
Loan 5	Jun-22	£4,500	48	N/A	Jul-22
Loan 6	Aug-22	£5,000	84	£131.22	Jul-23
Loan 7	Dec-23	£12,000	84	£272.88	N/A

Where there is no monthly repayment showing Mr P repaid the loan in full before making a payment.

Mr P has also complained about an overdraft and credit card accounts. These will be considered separately and I'm not looking at them here.

Mr P complained to Nationwide saying that the loans he had taken in the last six years were lent irresponsibly.

Nationwide considered this complaint and it didn't uphold it. Mr P didn't agree with this and brought his complaint to the Financial Ombudsman Service.

Our Investigator didn't uphold Mr P's complaint about loans 1 to 6. She did uphold the complaint about loan 7 as she thought Nationwide hadn't made proportionate checks. And if it had made better checks it would have seen that Mr P was unlikely to be able to afford the loans.

Mr P didn't disagree with the Investigator.

Nationwide didn't agree with the Investigator. There was some further correspondence, but no new issues were raised. Because Nationwide didn't agree, this matter has been passed to me 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.

We've set out our general approach to complaints about unaffordable or irresponsible lending on our website, and I've taken this into account in deciding Mr P's case.

Having considered everything, I'm upholding Mr P's complaint about loan 7 only. I'll explain my reasoning below.

Mr P didn't disagree with our Investigators opinion about loans 1 to 6. Because of this I don't think there is any ongoing disagreement about these loans. And, for the avoidance of doubt, given the evidence I have, I don't disagree with what the Investigator said about this lending. But it was part of the borrowing relationship Mr P had with Nationwide. So, it is something I will consider when considering the other loans he took.

I've decided loan 7 wasn't provided fairly, this is because:

I don't think the checks Nationwide did before providing the credit were reasonable and proportionate given the amount lent and what it knew about Mr P's financial situation.

This is because Nationwide asked Mr P some questions about his income and expenditure and residential status. Mr P said that he was employed full time and earned £2,500 a month and said he paid £345.63 towards his loans. He said he was borrowing to consolidate some debt.

Nationwide said it checked Mr P's income using a tool provided by a credit reference agency. It's not been able to provide a copy of the results of this check but said it would have returned a high confidence that Mr P's income was correct, or it would not have lent.

Nationwide also looked at Mr P's credit reference agency data. It found out that he had £33,008 of unsecured debt of which £9,286 was revolving credit. It said that Mr P was making payments of £607.60 a month to all of this. Nationwide estimated, using statistical information, that his monthly household expenditure was £632.62 and his council tax was £100.83 a month. Making a total of £733.45.

I don't agree that the amount he owed wasn't important here. Mr P already owed significant amounts to other lenders. And this was a larger loan and an increase over the amounts he had borrowed earlier. It would mean he would be repaying a reasonable amount over the 84 month term. This was a significant undertaking over a long period.

And Mr P had been a lending customer of Nationwide's for a long time and he had borrowed and sometimes repaid loans over shorter periods of time. This to me suggests that Mr P's finances could, at times, be unstable.

I think, Nationwide should have looked in more detail about what Mr P was spending or earning rather than essentially relying on what Mr P said and information from a credit reference agency. If Nationwide had done proportionate checks, I think it's likely these would have shown it was unfair to provide the credit to Mr P.

I've seen Mr P's bank statements. And whilst I wouldn't necessarily have expected Nationwide to have reviewed his statements in detail I think they give an indication of what it would have seen if it had made better checks. And it's worth pointing out that it did have this information as Mr P banked with it.

As our Investigator said the most important aspect of this was that Mr P was earning significantly less than £2,500 a month. He was earning around £1,500 a month. This means that, using Nationwide's amounts, his expenditures would be more than this income when the new loan repayments are factored in. I've seen no evidence that shows the amounts Nationwide estimated for his expenditure was materially incorrect. So, I agree that if Nationwide had made better checks that it would likely have seen that Mr P couldn't afford the repayments to loan 7.

I can see that Nationwide said that the purpose of this loan was consolidation. And it is a reasonable assumption that this may lead to his other credit repayments decreasing. But there isn't enough to conclusively say this was the case, and Nationwide doesn't seem to have investigated this aspect of Mr P's circumstances at all.

Nationwide has essentially said that its checks showed that Mr P had a significant disposable income and it would have been disproportionate for it to have looked in more detail at this, given the lack of other 'triggers' to do this. But as I've explained above I think there was enough to say that further checks were needed here.

Based on the information Mr P has provided about his circumstances at the time, I think it should have realised Mr P was likely to be unable to sustainably repay what he was being lent for loan 7. This means I don't think Nationwide should have provided loan 7 to Mr P.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr P in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

As I don't think Nationwide ought to have provided Mr P with the borrowing in December 2023, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Mr P should pay back the amounts he has borrowed.

Therefore, Nationwide should:

Add up the total repayments Mr P has made and deduct these from the total amount of money Mr P received.

If this results in Mr P having paid more than they received, any overpayments should be refunded along with 8% (calculated from the date the overpayments were made until the

date of settlement).^{*} Nationwide should also remove all adverse information regarding this loan account from Mr P's credit file.

If any capital balance remains outstanding, then Nationwide should try to arrange an affordable and suitable payment plan with Mr P.

I'll recommend that once Mr P has cleared the balance, if this is possible, any adverse information in relation to the account should be removed from his credit file. This is only a recommendation as I can't direct that Nationwide do this.

^{*}HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr P a certificate showing how much tax it's taken off if he asks for one.

My final decision

For the reasons I've explained, I partly uphold Mr P's complaint.

Nationwide Building Society should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 12 May 2026.

Andy Burlinson
Ombudsman