

complaint

Mr B complains that Nationwide Building Society approved a loan to him irresponsibly and didn't complete appropriate checks. Ms C complains on behalf of Mr B.

background

In September 2016 Mr B took out a personal loan with Nationwide. Ms C, concerned about Mr B's health and level of financial commitments, raised a complaint with this service that the loan was given without the appropriate checks.

Nationwide confirmed that a personal loan application had been made in the name of Mr B, for £14,000 over 60 months. They've said that the reason provided for the loan was home improvements and that evidence of a monthly salary of £1,480 had been provided. The loan was approved and funds were released shortly later. The bank also confirmed that the application process had included a credit scoring and affordability calculation. They had taken in good faith the information Mr B provided.

The adjudicator was of the view that Nationwide had dealt with the complaint fairly. And that the loan had been affordable on the basis of the information that was available to Nationwide at the time.

Ms C complained that this was one of several loans that Mr B had, that his own bank had rejected a loan application and that on his credit file were a number of references to loans and gambling sites. So she asked for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. In addition to the evidence initially provided I requested and considered further information on affordability and credit checks. Having done so, I've reached the same conclusion as the adjudicator. I realise that this may be upsetting for Mr B and Ms C. But I don't believe that Nationwide has done anything wrong.

Nationwide were not aware that Mr B suffers from ill health that would impact on any loan agreement. He didn't declare it and there isn't any evidence to suggest that Nationwide could've known.

credit reference check

I can see that Ms C provided a credit report dated February 2017. In addition to Mr B's mortgage, there is a Nationwide loan dated 27 September 2016 and also a loan of £7,090 with a different bank dated 8 September 2016. Credit reports are generally updated monthly. The actual credit checks for these two loans were completed within 10 days of each other therefore Nationwide wouldn't have seen that Mr B had only recently had a different loan approved. The bank noted that Mr B also didn't have any credit card debt.

Not all the information that's on the credit file is available for potential lenders. Ms C has sent the full consumer report. But the bank won't have been able to see everything on it. Soft searches e.g. insurance quotations, lettings are not visible. There are a number of references to gambling sites. But these concern anti-money laundering checks and again, these are not seen by lenders.

affordability checks

Unfortunately I haven't been able to listen to the call during which the application for the loan was made therefore I can't verify what was or wasn't said by Mr B. However the reason stated on the application was for home improvements and there was no mention of ill health. It's reasonable to assume the bank should take this in good faith.

Nationwide did an affordability calculation based on the evidenced monthly income and what Mr B declared his expenditure to be. The bank said that Mr B had a loan balance of £2,000. It appears to me that Mr B declared this loan himself with a monthly payment of £89 but I can't say for certain and I can't see this reported in the credit file. Nationwide used the credit reference agency to identify levels of unsecured debt and mortgage. The greater of the two credit amounts – either what Mr B declared or what the credit report showed – was used in the affordability calculation. In addition the bank included housing costs and council tax. Taking all this into account it does appear that the loan would be deemed as affordable.

Ms C has provided Mr B's current account statements with a different bank. Looking at these I can see why this different bank may not have approved a loan. But Nationwide did not have sight of these statements. I also can't see any evidence that Mr B applied for a loan at his other bank. And there is no refusal on the credit file. So I can't include this in my decision.

Ms C has asked for stricter lending criteria and a system of referring people with a gambling addiction to Gamcare for advice. We have the power to get things put right in the individual cases referred to us if we decide a business has got it wrong and a consumer has lost out as a result. We don't tell a business how it should treat all consumers or how it develops its internal policies.

She has also asked Nationwide to write off the loan. At the time of approving the loan Nationwide had no way of knowing about Mr B's health problems. And the information on the credit report that they could see didn't raise alarm bells. Therefore I can't ask Nationwide to write off the loan. Now that they are aware that Mr B is in financial difficulty they would like the opportunity to re-evaluate a repayment plan. I think this is sensible.

Ms C is concerned that Mr B can continue to take out more loans without stricter lending criteria. Now that the two loans are visible on the credit file it will be much harder for Mr B to obtain further credit without paying down the existing debt.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 June 2017.

Maxine Sutton
ombudsman