

## **complaint**

Mrs E complained because Nationwide Building Society refused her application for a personal loan.

## **background**

In September 2014, Mrs E became aware of a large amount of credit card debt which her husband had built up in her name. She consulted a financial advisor, and started to take steps to reduce the debt. She sold some shares, and did a balance transfer between some of the credit cards. She then applied to Nationwide for a personal loan of £25,000 over four years.

Mrs E thought her request was reasonable, taking into account the monthly income into Mr and Mrs E's Nationwide account, their existing direct debits, and what the personal loan would cost. The personal loan would enable them to clear the cards with the highest interest rates, and replace it with a loan at lower rates, so they could clear the debts more quickly. Mrs E and her husband also checked their credit records, which came back as "Excellent". So Mrs E was shocked when Nationwide refused her application. She complained.

Nationwide re-considered its decision, but still declined Mrs E's application. It told her that it used an internal credit scoring system for fairness, which allocated points based on information from the customer, credit reference agencies, and its own records. It said it considered previous lending history and potential risk, and didn't want to put customers in a position where they might not be able to afford loan repayments.

Mrs E wasn't satisfied with Nationwide's response, and complained to this service. She was unhappy that decisions were made by computer, and felt her proposals hadn't been considered. She said she had an excellent credit score, and that it was a genuine plea for help, especially as most of the debt was on Nationwide credit cards. She said she could show that getting the loan would put her in a better position to pay back the debts at higher interest rates.

The adjudicator contacted Nationwide for more information. He then replied to Mrs E that decisions on whether or not to lend are matters for commercial judgment, and this service doesn't generally interfere where a business has acted in accordance with this. He explained that many factors affect a lending application, including current financial exposure, and ability to repay the debt. He'd seen no evidence that Nationwide hadn't followed its own process properly. He also suggested where Mrs E could get financial help with her difficulties.

Mrs E was unhappy with this reply. She sent a spreadsheet on which she had set out all her current debts, and how she had been tackling them in recent months, and reducing the balances. She said that they had been paying £1200 to £1300 per month on average over the previous year, but this would be reduced to £900 month if she could get the Nationwide loan.

## **my findings**

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

I can see why Mrs E thinks that a four year personal loan at Nationwide's rates would be a cheaper solution for her than the rates of interest she is currently paying. She has also set out very clearly her plan for reducing the debts, which I have studied. Her spreadsheet shows the progress she has made.

But lenders can exercise their own commercial judgment. A lender will look at a person's circumstances in a very different way from how a credit reference agency produces a 'score'. I also note that Mrs E has a substantial amount of debt. Lenders should tell applicants the main reason why an application is declined it asked, and that's at section 56 of the Lending Code. Here, Nationwide told Mrs E that it looked at factors including lending history, and I find that that is sufficient to satisfy the requirements of the Code.

I appreciate that Mrs E would have preferred a personal approach from Nationwide, looking at her determination to clear the debts and her progress, rather than a computer calculation. But calculations of risk are complex and take many factors into account, and Nationwide is entitled to make a commercial decision about whether or not it considers it should lend to Mrs E. So I'm not able to uphold her complaint.

### **my final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 13 November 2015.

Belinda Knight  
**ombudsman**