

complaint

The Administrator of the Estate of Mrs C complains that Nationwide Building Society shouldn't have given Mrs C two personal loans or, on two different occasions, increased the limit on her credit card. The Administrator, Mrs A, says Mrs C couldn't afford any of this lending. She wants Nationwide to write off the outstanding debt.

background

Mrs C took out a credit card account with Nationwide in 2012. In January 2016 she took out a loan with Nationwide for £5,000. In June 2016 she took out a further loan with the society for £3,000. Mrs C told Nationwide in January 2018 she was struggling to make the payments due on her credit card. It agreed not to charge any interest on her account for six months. Sadly, Mrs C passed away in April 2018.

Mrs A, who is also Mrs C's daughter, then contacted Nationwide saying it shouldn't have given the two loans to Mrs C. Mrs A said her mother's only income was state benefits and she couldn't afford the repayments.

Nationwide rejected this complaint. In summary it said: Mrs C passed all its lending checks; the state benefits she received were within its acceptable income; and she didn't miss a payment on either loan account.

Mrs A wasn't happy with this response. She brought the complaint to our service. Mrs A confirmed she also wanted us to look at Nationwide's decision to give Mrs C a credit card as well as its decision to give her the loans.

Nationwide didn't give its consent for us to look into the sale of the credit card in 2012. It said any complaint about this had been made too late as set out in the rules our service must follow. Nationwide *did* agree that we could look into two increases in the credit card limit.

One of our adjudicators investigated this complaint. She also thought we couldn't look at the sale of the credit card as this part of the complaint had been made too late, so it didn't fall within our jurisdiction.

The adjudicator looked at the credit card limit increases and the sale of the two loans. Again in summary, she thought Nationwide hadn't made an error when deciding to increase the credit card limit and to give Mrs C the two loans.

Mrs A didn't accept the adjudicator's view. She made numerous points, including: Mrs C had previously been made bankrupt; another of Mrs C's daughters had been paying off the credit card for four years; Mrs C had health problems which meant Nationwide shouldn't have lent to her; items of credit were missing from Mrs C's credit file so how could Nationwide have done a proper financial background check; and; some of Mrs C's benefit payments were subject to review and could be revoked at any time.

Mrs A also didn't accept the adjudicator's view that we couldn't look at the sale of the credit card in 2012. This meant one of my fellow ombudsmen had to decide whether or not this part of the complaint fell within our jurisdiction. Her decision was that we couldn't look at this aspect of the complaint.

As Mrs A didn't accept the adjudicator's view about Nationwide's decision to increase Mrs C's credit card limit and to give her two loans, this complaint has been passed to me for a final decision. To be clear, as my fellow ombudsman has issued a decision confirming we can't look at the 2012 sale of the credit card, I won't be commenting any further on this.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I've decided not to uphold this complaint. I'll explain why.

First, I would like to offer my sincere condolences to the family of Mrs C. I know it's been some time since she passed away in April 2018, but I do appreciate what a difficult time this will have been for her family – and I know those difficulties are still present today. But in reaching my decision in this case, I have to put aside my natural feelings of empathy and consider the case impartially and fairly.

Also, I'm very aware that I've summarised this complaint in far less detail and in my own words. Mrs A has raised numerous issues around why she feels Nationwide shouldn't have lent to her mother. I'm not going to respond to all these points individually. No discourtesy is intended by this. Instead, I've focussed on what I think is the key issues here: Were Nationwide's decisions to increase Mrs C's credit card limit, and to give her two loans, fair and reasonable?

Our rules allow me to do this. This simply reflects the informal nature of our service. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

I'll now turn to Nationwide's decision to increase Mrs C's credit limit. Due to the age of this account, the Society has only been able to give us limited information about it. The increases happened in January 2015 and again in July 2015. I've looked at the terms and conditions for this account. I'm satisfied these allow Nationwide to change the credit limit at any time.

Nationwide has told us that when it proposes an increase to a credit card limit, if it doesn't hear from the card holder accepting the increase, the limit will remain unchanged. It has also told us that Mrs C fell within its credit risk appetite at the time. I accept this was the case. I can see that at the time of the limit increases, regular payments were being made to the account, it was up to date and hadn't been in arrears.

The available evidence doesn't show me that Nationwide should have been aware that Mrs C was in any financial difficulty. Taking all this into account, I can't say that Nationwide acted unfairly or unreasonably when it increased the limit on her credit card.

Mrs A has sent us evidence that another of Mrs C's daughters had been paying £25 a week to the credit card account. But I don't think that a regular, relatively small payment for this amount should have led Nationwide to think Mrs C was in financial difficulty.

Mrs A told us these payments totalled around £5,000. She says this is enough to have paid off the credit card account. But that's not quite right. If Mrs C had stopped using the card, these payments could have gone some way to clearing the account. But that's not what

happened. Mrs C continued to use her credit card to make further purchases up until she spoke to Nationwide January 2018.

During this call she told Nationwide she couldn't afford the payment on her credit card account. In this situation, the relevant regulations require the Society to treat Mrs C in a positive and sympathetic way. I'm satisfied it did this by agreeing to freeze the interest on her account for six months to give her some breathing space. In the circumstances here, I don't think Nationwide has done anything wrong in relation to the credit card account.

I'll now move on to Nationwide's decision to give Mrs C two personal loans. As with the decision to give her a credit card, there are no "set" or prescribed checks that Nationwide needed to do before agreeing to the loan applications. The applicable regulations require a lender to carry out a reasonable creditworthiness check that is proportionate to the circumstances.

Mrs C applied for the first loan on-line in January 2016. This was for £5,000. At the time she completed details about both her income and her outgoings. I've seen evidence that Nationwide did a manual check to confirm that the information Mrs C gave about her income was correct. I know Mrs A feels very strongly that Nationwide was wrong to take all of Mrs C's state benefits into account. She told us that part of these benefits weren't guaranteed as they were subject to regular review and could be revoked at any time.

I've looked at part of Nationwide's lending criteria. From this I can see that it considered the benefits Mrs C was receiving were acceptable types of income. And I would point out here that it's not my role to stipulate what income Nationwide will or won't accept when making a lending decision. That's entirely up to its own individual lending criteria and risk appetite.

I've also thought about Mrs C's outgoings. In her on-line application she said she had around £5,000 of credit card debt. I know that Nationwide's credit searches showed she had £5,162 of card debt. This is entirely consistent with what Mrs C had said.

While the historic credit searches from 2016 are no longer available. I've seen a credit report from January 2019. Included in this report are a bank account, mail order accounts, credit cards and a mobile phone account. The individual account information goes back over a six-year period to at least the start of 2013. All the accounts are up to date and would have been in January 2016 when the first loan was agreed. There are no missed payments showing on any of the accounts.

I can also see the loan was being used to consolidate one of Mrs C's existing credit cards that had a balance of just under £2,900. At the time the monthly payment on this card was around £131.50. The repayment on the loan was £92.16 a month – nearly £40 lower.

I can see that Nationwide checked Mrs C's income, checked her outgoings and checked the repayment history on her existing debts. It could see she was making all the payments on her outstanding credit, and the proposed loan would reduce her outgoings by around £40 each month while still leaving over £2,000 of the loan proceeds. So, I think it was fair and reasonable for Nationwide to think Mrs C could afford the loan repayments. In these circumstances I'm satisfied that its creditworthiness check was reasonable and proportionate.

Mrs C applied for a further £3,000 on-line around 6 months later. In the information about her existing debt I can see she said she had around £2717 of card debt. Nationwide's credit

checks confirmed this amount as £2,732. Again, this is consistent with what Mrs C had said. It's also in line with card debt figure from earlier that same year after taking into account the credit card that had been repaid.

I can also see that Nationwide verified the accuracy Mrs C's stated income by checking it against the income being paid into her current account with the Society. It could also see from the current account that the previous credit card had indeed been repaid in January using the first loan.

This new loan was also to be used for consolidation. Given that the loan was for £3,000 and Mrs C had around £2,700 of card debt, I don't think this would or should have rung any alarm bells with Nationwide. It could see that payments were being correctly made on the earlier loan and also on its credit card account.

I'm satisfied that once again Nationwide checked Mrs C's income, looked at her outgoings and her repayment history on her existing debts. And again, I don't think there was anything here that should have indicated to Nationwide that Mrs C wouldn't be able to afford the monthly repayments of £62.07 on the new loan.

Mrs A has told us that Mrs C had previously been declared bankrupt, although it's not clear to me when this was. She says Nationwide shouldn't have lent to Mrs C because of this. But there's nothing to stop a finance provider from lending to a previous bankrupt – especially if the bankruptcy happened some years earlier. I think a person's more recent credit history is likely to have more relevance than a historic bankruptcy. And it's for individual lenders, not our service, to decide to whom and on what terms it's willing to lend.

Mrs A has provided evidence of Mrs C's health problems and that these were connected to her being in financial difficulty. To protect the privacy of the family, I won't go into the details of these health issues. But there's nothing in the available evidence that shows Nationwide was, or should have been aware of these. It follows, that I can't expect it to have taken these into account when reaching its lending decisions.

Mrs A has also questioned how lenders can make a proper lending decision when not all of Mrs C's outstanding credit is showing up. I would point out here that there are several main credit reference agencies (CRAs) in the UK.

The Information Commissioner's Office confirms there's no requirement under data protection law for lenders to report credit data to all the different CRAs. It's up to the lender to decide which CRA they want to use, if any.

Similarly, it's up to the lender to decide which CRAs to use when making its credit assessment. As I've said above, the credit searches carried out by Nationwide when making the lending decisions here are no longer available. But, also as above, I can see its records show the credit card debt declared by Mrs C during both loan applications was consistent with the information showing on those searches.

Taking all the above into account, I'm satisfied that Nationwide carried out reasonable credit worthiness checks that were proportionate to Mrs C's circumstances. Having done so, I'm also satisfied that Nationwide's decision to increase Mrs C's credit card limit, and to give her two loans, was fair and reasonable, and there was no reason for it to think that the repayments wouldn't be affordable to her.

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 Mrs A, on behalf of the Estate of Mrs C, to accept or reject my decision before 14 February 2020.

John Miles
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