

## **complaint**

Mr W complains that Nationwide Building Society irresponsibly gave him a loan in December 2016 which he was unable to repay. This complaint is brought by Mr W's sister Miss W.

## **background**

Mr W says he was in a vulnerable position when he applied for the loan on 26 December 2016. He says he was a gambling addict and had previously been refused loans by Nationwide in 2016. Mr W says Nationwide shouldn't have lent to him and that it was obvious by looking at his credit report that he was in financial difficulties as he was using a number of payday loan companies to borrow money. He also says he had credit cards that had exceeded the credit limit. Mr W would like the debt written off and all interest and charges removed as well as the default removed from his credit file.

Nationwide says it's not made a mistake and that in the months before December 2016 Mr W hadn't exceeded his overdraft limit of £500. It says that demonstrated good account management and there was a regular wage paid into the account. Nationwide says Mr W told it he would use the loan for debt consolidation and that there were significant differences between this loan application and the other two, namely the amount and term. It says the loan was affordable and has accurately reported the state of the loan account to the Credit Reference Agencies.

Mr W brought his complaint to us but our investigator didn't think Nationwide had made a mistake or lent irresponsibly. He thought the loan repayments were affordable based on Mr W's income and outgoings. The investigator accepted there were a number of gambling transactions made by Mr W but thought he had kept within his overdraft limit. He also thought that there wasn't any evidence Mr W had failed to meet essential spending and that the payday loans didn't demonstrate that Nationwide shouldn't have lent.

Mr W didn't accept that view and asked me to review it. I asked Nationwide for further information about the previous loan applications which were in June and October 2016 and asked it for Mr W's statements for the six months before the December application. I also asked Mr W for his credit file which he has provided.

Nationwide has confirmed that the loan application was pre-approved.

## **my provisional decision**

I issued a provisional decision in this complaint and said as follows.

I considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I came to the provisional view that Nationwide shouldn't have lent to Mr W and the lending was irresponsible.

I looked at Mr W's account statements for the months before the third loan application in December 2016 as well as Mr W's credit file. I was satisfied that Mr W had a gambling problem that was clear from looking at those statements. For example on 10 August 2016 there were about 50 recorded gambling transactions that day. I also saw that during this time Mr W was borrowing from a number of payday lenders and appeared to be gambling the money. His account was regularly overdrawn and I could see that a direct debit to a payday lender was returned. Mr W made two applications for Nationwide loans that were both

refused for far smaller amounts than he was able to borrow in December. And on the same day Mr W applied for the loan he made about 60 gambling transactions before the loan money was received.

I was satisfied that it should've been clear that Mr W had a gambling problem and was using payday lenders and his credit cards to fund that. I accepted that was Mr W's choice and normally I didn't think banks or building societies should interfere in a customer's choice of spending. But in this case Mr W's gambling meant that he was in financial difficulties and borrowing to continue his gambling which meant his financial position deteriorated. I was satisfied Nationwide must have had previous concerns as it refused two loan applications in the months before this application and that it should've looked closely at Mr W's account and his other borrowing before lending.

I also looked at Mr W's credit file which I thought Nationwide should also have looked at as part of the lending decision. I could see that Mr W had significant levels of short and long term debt in the months before the loan application. I also thought throughout that period, his credit score was poor with a number of late payment markers for credit card payments. The report also had recorded a number of payday loans, credit cards and hire purchase agreements and about 25 recorded credit applications between August 2016 and December 2016.

So I was satisfied having considered the credit file and the account statements that Nationwide made a mistake by pre-approving Mr W for a loan and allowing him that loan. I thought it should have looked closely at his credit file and considered what if anything had changed from the previous two refused loan applications. I thought on balance Mr W's position had significantly changed by December and got worse not better. I said that as I could see that there were late payments to credit card companies and that he'd exceeded his credit limit on one credit card.

I appreciated Mr W would like the loan written off but I didn't think that would be fair and reasonable. I could see that Mr W used about £4,500 to repay existing loans and credit card companies. So I was satisfied that Mr W had the benefit of that money. But as I thought the lending was irresponsible I said that I intended to order Nationwide to remove any interest from this loan and refund any interest or charges Mr W may have paid. I also thought it fair that Nationwide remove any adverse information on Mr W's credit file. But I accepted that may not make a significant difference as I could see that other adverse information has now been registered.

Nationwide disagrees with my provisional view and says it relied on information from Mr W about his income and outgoings. It says it used different criteria on the loans that were refused and that Mr W is free to spend his money as he wishes. Nationwide says Mr W had the benefit of the loan and has saved interest payments by not having an ongoing debt with payday lenders, and that should be taken into account.

Mr W also doesn't accept my provisional view and says he didn't benefit from the money except for the £4,500. He says if Nationwide hadn't lent to him, then he wouldn't have spiralled into further debt. Mr W says Nationwide hasn't been punished for its actions and its actions have caused significant problems on his credit file.

### **my findings**

I've reconsidered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've reached the same conclusion as I did in my provisional decision. I realise Mr W will be disappointed by my decision.

I've set out why I think Nationwide's lending was irresponsible and I've also explained why I think in this case it should've considered Mr W's obvious gambling. I also don't think it's fair or possible to calculate the exact benefit Mr W had by using the loan to pay some other debts.

I make it clear to Mr W that it's not the role of this service to punish a business. I've said in my provisional decision that I thought other companies had recorded adverse information on Mr W's credit file. And I'm satisfied that Mr W was in debt at this time so I can't fairly conclude that even if Nationwide hadn't have lent then Mr W wouldn't have spiralled into further debt in any event.

### **my final decision**

My final decision is that I uphold this complaint. I order Nationwide Building Society to remove any interest and charges from this loan and refund any interest or charges that may have been paid by Mr W back to him. I also order Nationwide Building Society to remove any adverse information about this loan from Mr W's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 8 December 2018.

David Singh  
**ombudsman**