

The complaint

Ms W has complained that Nationwide Building Society (“Nationwide”) irresponsibly granted an overdraft in May 2019 that she couldn’t afford to repay, despite it being aware that she had a gambling problem.

What happened

In May 2019, Ms W was granted an overdraft of £100 on her current account. Nationwide has told us that, between then and January 2023, there were just under 60 changes to Ms W’s overdraft limit, some on the same day, and some of these being when the limit reverted to zero. The highest limit was £650. The limit is now at zero, and Nationwide said that there has since been a number of overdraft applications declined due to gambling, and Ms W has now agreed a block on such transactions.

Ms W thinks that Nationwide didn’t carry out the appropriate checks before granting the overdraft, and the increases, and that it shouldn’t have granted it. She wants Nationwide to refund the fees and charges on her overdraft.

She complained about this to Nationwide. But Nationwide said the application and subsequent increases were within its lending criteria. So it said that it would not uphold her complaint.

Ms W then brought her complaint to this service. Our investigator looked into it, and thought the complaint should be upheld. Nationwide didn’t agree, and asked for this complaint to be reviewed by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I’ve taken this into account here.

I’ve decided to uphold Ms W’s complaint. I’ll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn’t a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer’s circumstances. So I’ve considered whether Nationwide completed reasonable and proportionate checks to satisfy itself that Ms W would be able to manage the overdraft in a sustainable way.

Nationwide sent in copies of Ms W’s current account statements and letters about her overdraft limit, along with computer records of its contact with Ms W. It said that all of the overdraft limit change requests were made online or via the mobile app. As such they would

have gone through Nationwide's automated process which would have checked the requests against its lending criteria and risk appetite at the time.

I have reviewed all of the bank statements alongside the other evidence provided, and having done so I'm not satisfied that Nationwide carried out reasonable and proportionate checks before granting the initial overdraft in May 2019 and the increases thereafter. I say this because there is evidence on the statements of a large and regular number of gambling transactions in the period leading up to the overdraft being applied. As examples, on 26 March 2019 there were 28 consecutive transactions of £20 each (totalling £560), and on 6 May 2019 there were 25 transactions of £20 each. I also note that there were occasional incidents of direct debits being returned and of Ms W's account going into unauthorised overdraft, and in April Ms W took out a loan for £1,000. I can also see some 'buy now pay later transactions'.

I accept that the initial overdraft was small, and that Ms W had a good salary being paid in each month, and the account had generally been in credit. But – of course - Nationwide had access to Ms W's account and I think the level of gambling transactions ought reasonably to have prompted further enquiries, especially when combined with the other points I noted above.

Had Nationwide made further checks, I think it would have been able to identify the extent of the gambling issue and offer support to Ms W, including offering or agreeing a block on gambling transactions. I think it would've found that an overdraft was unlikely to be manageable or sustainable because of Ms W's gambling problems. So I'm not satisfied that Nationwide acted fairly in granting the overdraft and subsequent changes to the limit.

Following our investigator's view that the complaint should be upheld, Nationwide made a number of points in response. I have summarised them here but have considered them all carefully. It said:

- The overdraft application fell within its lending criteria
- A maximum affordability limit is set based on the customer's monthly disposable income after considering income and known/set/regular outgoings. It was evident that Ms W had a steady income and was left with a healthy disposable income which was enough to qualify for the overdraft limits in question.
- There were no returned direct debit payments and the account indicated Ms W was in control of her finances.
- The presence of gambling transactions is not an instant reason to decline an overdraft application and, instead, it has controls in place to alert it to customers who may have a serious gambling problem; it is evident Ms W did not.
- The number of changes to the overdraft showed that Ms W was clearly in control of it. The overdraft was not utilised in some months and the gambling transactions are not present every month. Ms W showed she was able to self-manage the overdraft facility and reduce the limit to zero at ten separate points.
- The account is consistently in credit and when the overdraft is used this is not to the maximum limit and has not been utilised every month.
- It appears that, for a lot of the gambling transactions there's a corresponding credit from a family member, which may mean Ms W was placing these bets on their behalf

I accept that the overdraft limit was low, as I explained above, and that the presence of gambling transactions is not automatically a reason to decline an overdraft application. But I

think Nationwide should reasonably been aware of the number and frequency of gambling transactions in the period leading up to the initial application – in my view this level is a possible indicator that there may be a problem. And I did see occasional returned direct debits in the bank statements.

I also accept that there were times when Ms W reduced the overdraft to zero, and the overdraft has not always been fully utilised. However I can also see that over the nearly four years in question, Ms W has taken out additional loans and credit cards as evidenced by the transactions on the account. I don't have a copy of Ms W's credit file, but it seems to me that Ms W's credit commitments are likely to have increased over time.

It is also possible that Ms W was placing bets on behalf of a family member, but in my view it is more likely that she was borrowing – or being gifted – funds to support her gambling issues.

Having considered the points raised by Nationwide, I've not found that they are sufficient to change my mind about whether it acted fairly in granting the initial overdraft and subsequent arrangements. I remain of the view that it did not, and therefore I've decided to uphold this complaint.

Putting things right

I think it's fair and reasonable for Ms W to have repaid the overdraft because she has had the benefit of that money. But she has paid interest and charges on an overdraft that shouldn't have been provided to her. Nationwide must put this right.

It should:

- Re-work Ms W's current balance so that all interest, fees, and charges applied to it from 7 May 2019 onwards are removed.
- As the overdraft has been cancelled, the resulting credit balance should be refunded to Ms W along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement
- Remove any adverse information added since 7 May 2019 about the overdraft from Ms W's credit file.

*HM Revenue & Customs requires Nationwide to deduct tax from any award of interest. It must give Ms W a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

For the reasons set out above, I have decided to uphold Ms W's complaint. Nationwide Building Society should compensate Ms W as described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 26 July 2024.

Jan Ferrari
Ombudsman