

## **The complaint**

Mr R complains that Nationwide Building Society lent to him irresponsibly.

## **What happened**

Mr R took out three personal loans with Nationwide.

Loan 1 was taken out in July 2016 for £1,500 repayable over 36 months at £46.10 per month.

Loan 2 was taken out in November 2018 for £2,361.04 repayable over 36 months at £79.65 per month.

Loan 3 was taken out in June 2021 for £1000 repayable over 12 months at £89.36 per month.

Mr R complained to Nationwide. He said the loans were unaffordable.

Nationwide didn't uphold the complaint. It said it had carried out proportionate checks and that these showed that the lending was affordable.

Unhappy with the response, Mr R brought his complaint to this service.

Initially, an ombudsman looked into whether Mr R's complaint about all three loans could be considered. He concluded that this service could consider the complaint because he didn't think Mr R ought reasonably to have been aware that he had cause to complain about the loans at any time more than three years before he complained.

Our investigator then looked into the merits of the complaint. She said that loan 1 was affordable, that loan 2 was affordable but that loan 3 wasn't affordable. The investigator said that Nationwide shouldn't have provided Mr R with loan 3.

Nationwide didn't respond to the investigators view so I've been asked to make a final decision.

## **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 complaints about unaffordable and irresponsible lending is set out on our website. I've had this approach in mind when considering Mr R's complaint.

Before agreeing to lend, the rules say that Nationwide needed to complete reasonable and proportionate checks to ensure that Mr R could afford to repay the loan in a sustainable way. These checks needed to be focussed on Mr R's circumstances. The nature of what considered reasonable and proportionate will depend on various factors, including the amount of credit, the total sum repayable, the amount of the repayments, the cost of the

credit and the customers individual circumstances.

There's no set list of checks a lender must complete. But lenders are required to consider the factors I've mentioned above when deciding what's reasonable and proportionate.

#### Loan 1

I've reviewed the checks that Nationwide carried out to decide whether these were reasonable and proportionate.

Nationwide carried out a credit check and found no county court judgments or defaults. The checks showed that Mr R had around £28,845 of unsecured debt, of which around £1,850 was credit card debt. The checks showed that Mr R's had monthly unsecured debt payments of around £400.

Nationwide says it carried out an income check. I haven't seen evidence to show how this was done, or the outcome of the check, but Nationwide has said that it calculated Mr R's monthly income at £1,595. Nationwide calculated Mr R's expenditure using assumed household figures, and a 5% repayment figure for unsecured debt.

Because of the lack of information about the checks, I'm not persuaded that the checks were reasonable and proportionate. So I've gone on to consider what reasonable and proportionate checks would've shown, had they been carried out.

I've looked at Mr R's credit file and bank statements for the period leading up to the loan application.

The credit report shows that Mr R had two credit cards, but there's no information about the balance due to the time which has passed since July 2017. The credit report also shows an unsecured loan and a hire purchase loan for over £27,500 which Mr R was repaying at £350 per month.

I've reviewed the bank statements and based on what I've seen, it appears that Mr R had sufficient monthly disposable income to afford the loan repayments. On balance, I'm persuade that loan 1 was affordable.

#### Loan 2

I've reviewed the checks that Nationwide carried out to decide whether these were reasonable and proportionate.

Nationwide carried out a credit check and found no county court judgments or defaults. The checks showed that Mr R had around £27,150 of unsecured debt, of which around £4,800 was credit card debt. The checks showed that Mr R's had monthly unsecured debt payments of around £502.

Nationwide says it carried out an income check. I haven't seen evidence to show how this was done, or the outcome of the check, but Nationwide has said that it calculated Mr R's monthly income at £1,740. Nationwide calculated Mr R's expenditure using assumed household figures, and a 5% repayment figure for unsecured debt.

Mr R's unsecured debt hadn't really decreased compared to what it was when he took out Loan 1 in July 2016. This indicates that he'd taken on more unsecured debt during that time. Nationwide doesn't have any information about how the unsecured debt was made up.

Taking into account that Mr R's unsecured debt had increased, and that the figures for income and expenditure were assumed, I think Nationwide should've carried out further checks to make sure the loan was affordable.

Because of the lack of information about the checks, I'm not persuaded that the checks were reasonable and proportionate. So I've gone on to consider what reasonable and proportionate checks would've shown, had they been carried out.

I've looked at Mr R's credit file and bank statements for the period leading up to the loan application.

The credit report shows that Mr R had two credit cards, one with a credit limit of £7,800 of which around £1,880 - £2,190 was being utilised in the three months leading up to the loan application. The second credit card had a credit limit of £5500, of which around £4,600 was being utilised. The credit report also shows an unsecured loan and a hire purchase loan for over £17,000 which Mr R was repaying at £315 per month.

I've reviewed the bank statements and based on what I've seen, it appears that Mr R had sufficient monthly disposable income to afford the loan repayments. On balance, I'm persuaded that loan 2 was affordable.

### Loan 3

I've reviewed the checks that Nationwide carried out to decide whether these were reasonable and proportionate.

Nationwide carried out a credit check and found no county court judgments or defaults. The checks showed that Mr R had around £13,100 of unsecured debt, of which around £2,990 was credit card debt. The checks showed that Mr R's had monthly unsecured debt payments of around £322.

Nationwide says it carried out an income check. I haven't seen evidence to show how this was done, or the outcome of the check. Nationwide calculated Mr R's expenditure using assumed household figures, and a 5% repayment figure for unsecured debt.

Based on what I've seen, I don't think these checks were proportionate. Loan 3 was a consolidation loan, however, the level of debt that Mr R had at this time suggested that the amount of the loan wasn't enough to consolidate his other unsecured debt.

I'm not persuaded that the checks were reasonable and proportionate. So I've gone on to consider what reasonable and proportionate checks would've shown, had they been carried out.

I've looked at Mr R's credit file and bank statements for the period leading up to the loan application.

The credit report shows that Mr R had two credit cards, one with a credit limit of £7000 of which around £5,800 was being utilised in the three months leading up to the loan application, repayable at £325 per month. The second credit card had a credit limit of £7,800, of which around £3000 was being utilised. Mr R had used this card to make some cash withdrawals in the last 12 months.

The credit report also shows an unsecured loan taken out in December 2018 (just after Loan 2 was taken out) with an outstanding balance of around £3000, with Mr R repaying around £111 per month. A further unsecured loan was taken out in December 2018 which had an

outstanding balance of around £3025, with Mr R repaying around £97 per month. Another loan was still open with an outstanding balance of around £1064 repayable at around £25 per month. Loan 2 from Nationwide was still open.

The bank statements show that Mr R was regularly using his overdraft. This suggests that he was able to meet his essential living costs plus his monthly credit commitments without having to borrow additional funds.

On balance I'm not satisfied that Loan 3 was sustainably affordable for Mr R.

I've also considered whether Nationwide acted unfairly or unreasonably in some other way, including whether Nationwide's relationship with Mr R might have been unfair under s140A of the Consumer Credit Act 1974. However, for the same reasons I've set out above, I haven't seen anything which makes me think that this was likely to be the case in relation to Loan 1 and Loan 2. And because I've upheld Mr R's complaint about Loan 3, I don't need to make a finding on s140A in relation to Loan 3. This is because I think the redress I'm awarding in relation to Loan 3 results in fair compensation for Mr R in the circumstances of his complaint.

### **Putting things right**

I've already explained why I don't think Loan 3 should've been provided. Nationwide Building Society must therefore:

Add up the total amount of money Mr R received as a result of being given Loan 3

Deduct the repayments from this amount

(a) if this results in Mr R having paid more than he received, any overpayments should be refunded along with 8% simple interest calculated from the date the overpayments were made until the date of settlement. Nationwide will need to amend Mr R's credit file to remove any negative information in relation to the account.

(b) if any capital balance remains outstanding, Nationwide should arrange an affordable repayment plan with Mr R. Once the balance is repaid, Nationwide will need to amend Mr R's credit file to remove any negative information in relation to the account.

HMRC require Nationwide to take off tax from any refund of interest. Nationwide must give Mr R a certificate showing how much tax has been deducted if he requests one.

### **My final decision**

My final decision is that I uphold the complaint in relation to Loan 3 only. Nationwide Building Society must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 12 August 2024.

Emma Davy  
**Ombudsman**