

The complaint

Ms D complains Nationwide Building Society provided her with an unaffordable credit card account and credit limit increases.

Ms D is represented on her complaint, but for ease I'll refer to all submissions as though they are her own.

What happened

Nationwide initially approved Ms D for a credit card with a limit of £1,200 in September 2012. The limit was increased five times across the years, lastly in November 2016 to £4,500.

Ms D complained to Nationwide in August 2022 saying it had irresponsibly provided her with the credit card and limit increases. She said had it completed reasonable and proportionate checks it would have identified the credit was unaffordable for her at each lending event.

Nationwide didn't consider the original sale and limit increases as it said Ms D's complaint about these lending events had been made outside of the regulatory time limits. Unhappy with Nationwide's response Ms D brought her complaint to our service for review.

After resolving the jurisdiction consideration our investigator's review considered the final limit increase in November 2016 to £4,500. He concluded Nationwide hadn't conducted proportionate checks; and that had it done so it would have identified this limit increase wasn't affordable for Ms D. He therefore concluded Nationwide made an unfair lending decision when approving this limit increase.

Ms D responded accepting the unaffordable lending findings but questioning Nationwide's activity outside of the lending decisions. She said she should receive compensation for the distress and inconvenience Nationwide caused in its handling of her complaint; and by contacting her to continue to collect the outstanding balance. She also asked that any adverse information be removed from her credit file.

Nationwide responded to our investigator's assessment and agreed in principle; but after our investigator looked the clarify the redress set out within his assessment, he wasn't able to be satisfied that Nationwide's acceptance was in line with his recommendations.

As an agreement couldn't be reached the complaint has been passed to me to decide.

My decision here focuses on the credit card limit increase in 2016 for the reasons I've set out above. Ms B's other complaint about unaffordable lending on personal loans with Nationwide is being dealt with under a separate complaint reference; although in both complaints I've taken into account the overall picture Nationwide had available to it at the time of each lending event.

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.

We've set out our approach to complaints about irresponsible and unaffordable lending as well as the key rules, regulations and what we consider to be good industry practice on our website; and both Ms D and Nationwide are aware of this.

Nationwide needed to take reasonable steps to ensure the lending it provided was responsibly lent to Ms D. The relevant rules, regulations and guidance at the time of each of Nationwide's lending decisions required it to carry out reasonable and proportionate checks. These checks needed to assess Ms D's ability to afford the credit limit being approved and repay it sustainably, without causing her financial difficulties or harm.

There isn't a set list of checks a lender needs to carry out, but they should be proportionate, taking into account things like the type, amount, duration and total cost of the credit, as well as the borrower's individual circumstances.

And it isn't sufficient for Nationwide to just complete proportionate checks – it must also consider the information it obtained from these checks to make fair lending decisions. This includes not lending to someone in financial hardship; and ensuring repayments can be made sustainably without the need to borrow further.

Both parties appear to agree that the credit card limit in November 2016 was irresponsibly lent; as it was unaffordable for Ms D. So, there is no longer an ongoing dispute about irresponsible lending. But what remains in dispute is how Nationwide should put Ms D back in the position she would have been in had this limit increase not been approved. And Nationwide's handling of her complaint and its activity when looking to collect the outstanding balance.

Nationwide has confirmed it will refund all interest, fees and charges applied to Ms D's account from the date of the limit increase in November 2016 onwards. It has confirmed that this will be on the full debit balance and won't omit any amounts where Ms D's balance was within a previously agreed limit.

So, Nationwide will in effect be removing all of the interest, fees and charges added to Ms D's account from November 2016 without exception.

I think this is a fair outcome in the individual circumstances. I say this because our usual approach in these circumstances would be for Nationwide to refund the interest and charges applied from November 2016 onwards on the difference in Ms D's balance between the previously agreed limit (which I've seen was £3,000) and this increased limit of £4,500. Our service hasn't considered any limit increases prior to November 2016 because we've already found these to be outside of our jurisdiction. But Nationwide's offer puts Ms D in a better financial position than our usual approach to these cases would direct it to.

It also means that as all interest, fees and charges are being removed from November 2016 onwards that this covers the second part of our investigator's recommendations; which was to refund all interest, fees and charges applied to the card from June 2017 onwards.

I've considered what Ms D has said about Nationwide's handling of her complaint; and it's continued contact when looking to recover the outstanding balance. I know Ms D has been from an exceptional time in her personal life; and continues to do so. But I can't find Nationwide acted unreasonably in its handling of her complaint; or by looking to recover the outstanding balance.

I say this because Nationwide is entitled, under the regulatory rules, to raise if it considers the complaint to be one raised outside of the time limits set by the regulator. And I can't see that Nationwide unreasonably raised these considerations.

And in relation to contacting Ms D to recover the outstanding debt; I acknowledge that this would have been distressing to Ms D, especially given the personal circumstances he has made us aware of. But I can't reasonably say Nationwide acted unfairly by contacting Ms D to look to recover the outstanding balance. Ms D has had use of the funds, and this is money owed to Nationwide. And I don't think it was unreasonable for Nationwide to look to contact her to recover the outstanding balance.

So, having carefully considered all of the evidence in this case I'm satisfied that Nationwide's offer in resolution of the complaint is a fair one; and it therefore follow it should take this action to fairly resolve this complaint.

Putting things right

In order to fairly settle Ms D's complaint Nationwide Building Society should:

- Remove all interest, fees and charges added to Ms D's credit card from November 2016 onwards, applying any repayments Ms D has made during this time to the remaining balance.
 - a) If this results in the account being in credit, Nationwide Building Society should refund the overpayments together with 8% simple interest from the point of the overpayments to the point of settlement.
 - b) If this results in an outstanding balance to pay, Nationwide Building Society should agree a suitable/affordable repayment arrangement for the remaining balance, while having due consideration for Ms D's vulnerabilities and ability to make repayments.
- Once any outstanding balance is repaid Nationwide should remove any adverse information recorded on Ms D's credit file from the final limit increase in November 2016

Given all of the information Ms D has told us about her past and current financial and health circumstances, I would remind Nationwide of its obligations to treat Ms D fairly and sympathetically when looking to contact her and arrange any repayment arrangement for any outstanding balance.

My final decision

My final decision is that I'm upholding Ms D's complaint about Nationwide Building Society and direct it to resolve the complaint as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 10 November 2023.

Richard Turner
Ombudsman