

The complaint

Miss W has complained that Nationwide Building Society (“Nationwide”) irresponsibly lent to her when it provided her with an overdraft facility.

What happened

Miss W applied for an overdraft facility on her current account in August 2018. She was initially provided with a £500 facility.

Over the course of the next 20 months Miss W applied to increase her limit a further 12 times until in April 2020 it was £2,500.

Miss W says that Nationwide shouldn’t have allowed her to increase her overdraft and that it didn’t meet its obligations to make sure the lending was affordable for her. She complained to Nationwide, but it didn’t uphold her complaint, so she brought it to this service.

Our investigator didn’t think Miss W’s complaint should be upheld. Miss W disagreed, so her complaint has been passed to me to decide.

Miss W also complained about a credit card that Nationwide provided to her, and we have dealt with that as a separate case.

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 general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I’ve taken that into account when considered Miss W’s complaint.

Nationwide needed to take reasonable steps to ensure that it didn’t lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Miss W could afford to repay what she was being lent in a sustainable manner. These checks could have taken into account a number of different things, such as how much was being lent, the repayment amounts, how quickly the debt was being paid off and Miss W’s income and expenditure. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable. There is no prescriptive list of checks a business must do.

Nationwide has provided evidence of the results of the checks it made when it first agreed Miss W’s overdraft and when it agreed each increase. These showed that Miss W was managing her finances well. She didn’t have any arrears, defaults or County Court Judgments and she didn’t have other credit elsewhere until later in the life of the overdraft. When she did have other credit it was relatively low.

I note that she appeared to have missed two consecutive payments in autumn 2019 on other credit but she brought her account back in order and reduced her borrowing before any further increases were agreed. Miss W also spent considerable periods in credit on her current account, indicating that she wasn't consistently reliant on her overdraft.

Based on this information I haven't seen anything that might have alerted Nationwide to the need to do further checks. While I understand Miss W later experienced financial difficulties I don't think Nationwide could reasonably have foreseen these. So, I think Nationwide conducted reasonable and proportionate checks and I don't think Miss W lost out as a result of anything Nationwide did wrong.

My final decision

I do not uphold Miss W's complaint, so it follows that Nationwide Building Society doesn't have to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 1 November 2023.

Sally Allbeury
Ombudsman