

## **The complaint**

Mr A, who is represented by a third party, complains that Nationwide Building Society (“Nationwide”) irresponsibly gave him a credit card account he couldn’t afford.

## **What happened**

In November 2019 Mr A applied for and was granted a credit card account with Nationwide with a credit limit of £10,100. In March 2020 he was granted a credit limit increase to £11,100.

Mr A started getting into difficulty with meeting his monthly card repayments in mid-2020 and then again early 2021. The account went into default in February 2023.

Mr A complained to Nationwide, saying that he shouldn’t have been given the account and that Nationwide ought to have made a better effort to understand his financial circumstances.

Our investigator didn’t recommend the complaint be upheld. Since Mr A didn’t agree, the complaint has been passed to me to decide.

## **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.

Nationwide will be familiar with all the rules, regulations and good industry practice we consider when looking at a complaint concerning unaffordable and irresponsible lending. So, I don’t consider it necessary to set all of this out in this decision. Information about our approach to these complaints is set out on our website.

*Did Nationwide complete reasonable and proportionate checks to satisfy itself that Mr A would be able to repay the credit in a sustainable way?*

Mr A’s complaint is that Nationwide provided him with a level of credit that was unaffordable at the outset and then went on to increase his credit limit further. Nationwide has explained it carried out a credit check using the information Mr A provided on his application as well as information obtained from a credit reference agency to see how he was managing his existing credit. It was then able to work out what credit it was able to offer.

I’ve seen that from what Mr A told Nationwide at the time of his application, he was in a particular occupation and was recorded as having an annual salary of £36,240. This would normally equate to a monthly net income of around £2,300. His residential status was that of a private rent-paying tenant. From the credit check it carried out Nationwide also would have seen that Mr A had a good recent credit history.

Mr A has recently told us that he'd hadn't been working since 2016, that all of his income was benefits-based and that he was receiving help with his monthly rental costs from the local authority. Our investigator at first thought that around half of Mr A's income came from earnings. This was understandable given what Mr A had said in his original application alongside the credit check information available to Nationwide. I agree that the position was not entirely clear. It would have been possible for Nationwide to know more about Mr A's financial situation at the time given that he was already banking with them. If it had checked, it would have seen that his actual income position was different to that set out in his application. I would say this was particularly relevant given the size of the credit it was proposing to grant Mr A. So I think Nationwide could have carried out better overall checks before granting the credit.

I think that better checks may have raised a concern about Mr A's future ability to sustainably maintain what could amount to substantial monthly repayments of up to £5-600, were Mr A to use most or all of his initial credit limit and the later increase of another £1,000. His reliance on benefit income suggests a potential issue about Mr A's future financial stability which I think ought to have prompted Nationwide to find out more about Mr A's personal situation. Better and more proportionate checks would have enabled Nationwide to gain a more thorough understanding of Mr A's personal financial circumstances before agreeing to open the account and so allow Mr A immediate access to what was a substantial amount of credit.

*What would proportionate checks have shown?*

We've seen from Mr A's bank statements that he was managing his income and outgoings to his bank account relatively well in the five months before the account was opened and did not have the need to make use of an overdraft facility. It was correct to say that Mr A had an average monthly income of around £2,000, which was broadly consistent with the information Nationwide had relied on when accepting him for the card.

Having kept all this in mind when reviewing Mr A's monthly spending, including his household costs, I agree that Mr A was likely to have been left with enough disposable income each month in order to meet the monthly card repayments in a sustainable way. I say this having seen that aside from his monthly rental payment of around £1,200, Mr A's regular monthly costs were in the main travel and food costs. So, in the event that he was to use the full extent of his opening credit this looks to have been affordable.

I haven't seen evidence or information to show or suggest that Mr A's financial circumstances had materially changed when his credit limit was increased by £1,000 in March 2020. I say this having also noted that since having the card, Mr A had been keeping his bank balance in credit throughout this period which enough disposable income to meet his card repayments plus his food and housing costs.

I think all this demonstrates that at the time Mr A appears to have had enough disposable income available each month to make regular, sustainable repayments towards his new credit facility and the later credit limit increase. I say this factoring in that he would need to be able to make sustainable monthly repayments on his card in order to be able to reduce the full balance within a reasonable period of time. Had Nationwide therefore completed proportionate checks before granting the credit, I think it's likely it would have discovered this too. It therefore didn't act unfairly by opening the account for Mr A with the level of credit it granted him.

Having looked carefully at all the available evidence and information, I don't think I've seen enough to show or suggest that Mr A's card agreement with Nationwide was unaffordable.

So I can't reasonably conclude that Nationwide ought to have known he might struggle to make the repayments – either at the point it granted him the card or when it went on to increase his credit limit. I'm therefore not persuaded that Nationwide has acted unfairly or irresponsibly.

I know this will be a disappointing outcome for Mr A and his representative. But I would like to reassure them that I have fully considered everything they've told us, including the additional details they've provided more recently, to see what if any impact it may have on the outcome of his complaint.

It follows that I don't think Nationwide needs to do anything more to put things right.

### **My final decision**

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 18 January 2024.

Michael Goldberg

**Ombudsman**