

Complaint

Ms Y has complained about a credit card Nationwide Building Society (“Nationwide”) provided to her. She says the limit on the credit card was irresponsibly increased after she was continually paying the minimum payment and even when she was consistently applying balance transfers to her credit card.

Background

Nationwide provided Ms Y with a credit card with an initial limit of £1,500.00 in August 2014. The credit limit was increased to £2,500.00 in June 2015; before being subsequently increased to £3700.00 in November 2015; the limit was once again increased to £4,450 in June 2016; before finally being increased to £5,350.00 in December 2016.

One of our investigators reviewed what Ms Y and Nationwide had told us. And he thought Nationwide hadn’t done anything wrong or treated Ms Y unfairly in relation to providing the credit card or increasing the credit limit. So he didn’t recommend that Ms Y’s complaint be upheld. Ms Y disagreed and asked for an ombudsman to look at the complaint.

Ms Y account balance never went above £3,500.00. So she never paid any interest as a result of the June 2016 and December 2016 increases, which is what I would award if I was to uphold the complaint. As this is the case, I’ve not looked into the complaint about these matters because there would in effect be nothing for me to tell Nationwide to do in terms of putting things right even if I were to agree with Ms Y.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Ms Y’s complaint.

Having carefully considered everything, I’ve decided not to uphold Ms Y’s complaint. I’ll explain why in a little more detail.

Nationwide needed to make sure it didn’t lend irresponsibly. In practice, what this means is Nationwide needed to carry out proportionate checks to be able to understand whether Ms Y could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

Nationwide says it initially agreed to Ms Y's application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Ms Y would be able to make the low monthly repayments due for this credit card. Nationwide also says that due to Ms Y's account being relatively well managed she was then offered a credit limit increase to £2,500.00 and £3,700.00 in November 2015.

On the other hand Ms Y says that she shouldn't have been lent to or had her credit limit increased. I've considered what the parties have said.

What's important to note is that Ms Y was provided with a revolving credit facility rather than a loan. And this means that to start with Nationwide was required to understand whether a credit limit of £1,500.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £1,500.00 required reasonable monthly payments in order to clear the full amount owed within a reasonable period of time.

Nationwide's credit check did indicate that Ms Y had not had previous difficulties repaying credit. And as Ms Y didn't have much in the way of active debts or commitments at the time of application, I don't think that it was unreasonable for Nationwide to rely on what Ms Y said about her income and expenditure during the application for the card. As this is the case, I'm satisfied that the checks carried out before Ms Y was initially provided with her credit card were reasonable and proportionate.

For the credit limit increases, it appears as though Nationwide relied on Ms Y's account having been managed well in the year/year and a half or so since her account had been opened. I'm not necessarily persuaded that Ms Y's account had been managed particularly well or that this was an indication that Ms Y should be lent up to a further £1,000.00 and £1,800.00. This is especially as it appears as though Ms Y had a couple of late payments in the period since she'd had the account open.

That said, I'm also mindful that although there wasn't anything in the way of any additional significant adverse information on the credit search Nationwide carried out. Although it should be noted that Ms Y was more indebted at this stage than she was when her initial card application was made. So I think that there were some signs that Nationwide needed to monitor going forward.

Ms Y has said that we should look at her other complaints about irresponsible lending to see what her position was. But I think that going into detail about other lending which wasn't provided in the same circumstances as the card was or the limit increases, is more than the checks Nationwide needed to carry out here.

Nonetheless, given the amount of the likely increased monthly payments as well as what Nationwide ought to have been aware of, I do think that it would have been reasonable and proportionate for Nationwide to find out a bit more about Ms Y's regular living costs before offering the credit limit increase. As Nationwide didn't obtain this information, I've considered the information Ms Y has provided with a view to deciding what it might have found out about Ms Y's regular living costs had this information been asked for.

Having done so, I don't think that Nationwide would have made a different decision even if it had asked Ms Y for more information. In my view, the information Ms Y has provided about her finances at the time appears to show that when her committed regular living expenses and existing credit commitments were deducted from the funds going into her account, she did have the funds, at the time at least, to sustainably make the repayments due.

In reaching this conclusion, I've thought about what Ms Y has said about not working at the time of the first limit increase because she was travelling. As far as I'm aware, Nationwide didn't check Ms Y income at this stage. And I accept that it's possible Ms Y could have told Nationwide that she wasn't working if she was asked about this before the limit increase was offered and Nationwide didn't simply rely on her initial declaration.

But Ms Y had only just gone travelling and it was very close this was to when the limit increase took place. It's possible that Nationwide could have found out more about Ms Y employment situation but in reality she was, in any event, about to start working shortly afterwards – at least that's what her bank statements appear to indicate. And she was about to be offered a further interest free offer too.

So, in these circumstances, it's difficult for me to conclude that Nationwide would have found out that Ms Y wouldn't be working for an extended period, or that she would have insufficient funds to make the repayments for an increased credit limit. This is even if it had tried to find out more about Ms Y circumstances at this time.

I fully accept it's possible that Ms Y's position might have been worse than what it looks like on the information she's provided, or that it worsened after the credit limit increases took place. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Nationwide should have known this was the case at the time it was making its lending decisions. This is especially as the available information indicates proportionate checks would more likely than not have shown that Ms Y could repay what she could owe at the time the lending decisions were made.

So overall while I'm sorry to hear about Ms Y's condition and hope that she does get better soon, I don't think that Nationwide treated Ms Y unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Ms Y's complaint. I appreciate this will be very disappointing for Ms Y. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Ms Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 8 January 2024.

Jeshen Narayanan
Ombudsman