

The complaint

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

What happened

Mr S had two current accounts with Nationwide. From December 2016 Mr S had an overdraft facility on the first account of £1,000. This was increased in June 2017 to £1,500 and then a year later in June 2018 to £2,750.

In March 2018 acquired a £1,000 overdraft facility on his second account. This was increased to £2,000 on 13 June 2018 and to £2,750 about ten days later.

Mr S got into financial difficulties and in November 2018 Nationwide wrote to Mr S to explain that it was cancelling his overdraft facility on the first account. Mr S paid the overdraft sum back in the same month. Nationwide did not remove the overdraft facility for the second account.

Mr S says he couldn't afford the credit. He says he was very unwell at the time of the lending and so he wasn't able to manage his lending. He thinks Nationwide shouldn't have lent to him in the circumstances.

Nationwide says it did all the necessary checks before it lent to Mr S and it didn't see anything which might make it think he couldn't afford the overdraft facilities at the time.

Our investigator considered that Mr S's complaint should be partially upheld. They thought that Nationwide had completed necessary and proportionate checks in relation to the overdraft facilities up until 22 June 2018 but that at that point Nationwide shouldn't have increased it further.

Our investigator thought that it was clear by then that Mr S would struggle to repay the borrowing. Our investigator thought Nationwide should repay the fees and charges incurred by Mr S as a result of the unfair lending.

Nationwide agreed with the view and agreed to put things right the way our investigator suggested. Mr S didn't agree. He said that his doctor had thought that Nationwide was irresponsible. Mr S said that he wasn't receiving any salary in the months leading up to the overdraft increases and Nationwide ought to have known this and not provided more credit.

As Mr S didn't agree with the view, the complaint was passed to me to make a decision. When I reviewed Mr S's complaint I considered that his complaint should be upheld from an earlier point. I wrote to all parties to explain my provisional decision.

Nationwide responded to my provisional decision and agreed to pay the compensation I had said I would direct. Mr S and his representative didn't respond.

As Mr S didn't actively respond I am providing this final decision to confirm the outcome. As neither party provided any further information I see no reason to depart from the findings in my provisional 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.

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 Mr S's complaint.

The accounts

As explained, Mr S had two current accounts with Nationwide. Each of them had an overdraft facility and overdraft increases were made on both of them over the course of a few years.

When our investigator first looked at Mr S's complaint it seemed that Mr S's accounts ran as follows:

Account 4379/First account	Existing overdraft limit	Increase	New limit
23 December 2016	0	£1000	£1000
3 June 2017	£1000	£500	£1500
4 June 2018	£1500	£1250	£2750

Account 5897/Second account	Existing overdraft limit	Increase	New limit
March 2018	£1000 (taken the day the account opened)		
13 June 2018	£1000	£1000	£2000
22 June 2018	£2000	£750	£2750

However, Nationwide has since confirmed that in relation to the first account the increases were as follows:

Account 4379/First account	Existing overdraft limit	Increase	New limit
23 December 2016	0	£1000	£1000
3 June 2017	£1000	£500	£1500
3 June 2018	£1500	£500	£2000
13 June 2018	£2000	£700	£2700

And in relation to the second account, they were as follows:

Account 5897/Second account	Existing overdraft limit	Increase	New limit
March 2018	£1000 (taken the day the account opened)		

13 June 2018	£1000	£1000	£2000
21 June 2018	£2000	£500	£2500
27 June 2018	£2500	£250	£2750

I think this should be viewed holistically. That is, that as the two overdrafts were with the same business on the same type of product at the same time, they should be viewed as a single line of credit.

	Existing total overdraft limit	Increase	New total limit
23 December 2016	0	£1000	£1000
3 June 2017	£1000	£500	£1500
March 2018	£1500	£1000	£2500
3 June 2018	£2500	£500	£3000
13 June 2018	£3000	£700	£3700
13 June 2018	£3700	£1000	£4700
21 June 2018	£4700	£500	£5200
27 June 2018	£5200	£250	£5450

Did Nationwide act fairly?

Nationwide needed to take reasonable steps to make sure that it didn't lend irresponsibly. In practice this means that it should have carried out proportionate checks to make sure Mr S could afford to repay what he was being lent in a sustainable manner. These checks could take into account a number of different things, such as how much was being lent, the repayment amounts, how much borrowing Mr S had elsewhere and Mr S's income and expenditure. There is no prescriptive list of what checks need to be done. There may even come a point where the lending history and pattern of lending itself clearly demonstrates that that the lending was unsustainable.

Nationwide said that it conducted checks to ensure the credit would be affordable for Mr S each time it agreed to increase Mr S's overdrafts. I have seen only limited evidence of the checks it did, and these are exclusively in relation to Mr S's second account from March 2018. Nationwide says it would have completed other checks of Mr S's credit file and other available data and I can see that it did have an understanding that Mr S had debt elsewhere. I will return to this later.

There's no information about what checks Nationwide did in relation to the increases in Mr S's overdraft on the first account before 2018 but given the level of proposed borrowing, Mr S's income at the time and the management of his current accounts I don't think there was anything to make Nationwide think the lending wouldn't be affordable.

In March 2018 Mr S opened the second account with another overdraft facility. As I've already explained, Nationwide hasn't been able to provide much evidence of the checks it did at the time. I can see that Mr S had by then around £30,000 of borrowing elsewhere. But Mr S didn't appear to be overindebted according to Nationwide's checks and I haven't seen anything else to suggest that Mr S was in difficulty. Mr S was generally in credit in his bank accounts and there was no evidence of unusual spending patterns.

However, things began to change in June 2018. Mr S applied for five increases across both his account overdrafts during the course of the month, two of them on the same day (13th June). By the end of the month Mr S had increased his overdraft facility by nearly £3,000.

I think this pattern of activity ought to have alerted Nationwide to a potential problem. I can see from Nationwide's checks that Mr S didn't have any deposits into his account in three out of the four months leading up to the increases.

I think after Mr S had increased his overdraft limits on both accounts on the same day that Nationwide should have exercised caution in relation to further overdraft limit increases. So, when Mr S applied again on 21 (or 22) June 2018 to increase his limit by a further £500 Nationwide ought to have looked more carefully at Mr S's circumstances. He had recently sought an increase in his credit card limit with Nationwide and he hadn't received an income into either of his current accounts for three out of the four preceding months. I think it was clear by this point that his circumstances had changed, and the increased credit was likely not affordable.

On this basis, I don't think Nationwide acted fairly on the information it had available to it and I think Mr S lost out as a result of what Nationwide did wrong.

Putting things right

Nationwide should not have provided the final credit limit increase on the second account to Mr S. To settle this complaint Nationwide should do the following:

- Re-work Mr S's current overdraft balance on his second account so that any additional interest, fees and charges applied as a result of the overdraft limit increases after 13 June 2018 are removed. This means that from 13 June 2018 onwards interest can only be charged on £2,000 of borrowing on his second account.
- If an outstanding balance remains on the second account overdraft once the adjustments have been made Nationwide should contact Mr S to arrange a suitable repayment plan for this. It should remove any negative information recorded on Mr S's credit file as a result of the interest and charges applied to Mr S's account as a result of the later increases in his overdraft limit.
- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance on the second account, then any extra should be applied to Mr S's first account overdraft.
- If this results in there no longer being an outstanding balance on either account, then any extra should be returned to Mr S along with 8% simple interest* on the overpayments from the date they were made (if they were) until the date of settlement.
- If no outstanding balance remains after all adjustments have been made then Nationwide should remove any adverse information from Mr S's credit file.

*HM Revenue & Customs requires Nationwide to deduct tax from any award of interest. It must give Mr S a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

I have decided that Nationwide acted unfairly when it provided Mr S with overdraft limit increases after 13 June 2018. To put things right I direct Nationwide Building Society to pay compensation as detailed above.

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

Sally Allbeury
Ombudsman