DRN-3079968

Financial Ombudsman Service

Complaint

Mr W has complained about an overdraft National Westminster Bank Plc (“NatWest”) provided to him. He says the overdraft shouldn’t have been provided because it was obvious he had a gambling problem.

Background

Mr W also has a complaint about a loan NatWest provided to him. But we’ve already told him that we’re looking at that separately. And this decision is only looking at Mr W’s complaint about his overdraft.

NatWest provided Mr W with an overdraft with an initial limit of £1,000.00 in October 2018. The limit was increased to £2,000.00 a week later and then £3,000.00 in November 2018.

One of our adjudicators reviewed what Mr W and NatWest had told us. And she thought NatWest hadn’t done anything wrong or treated Mr W unfairly in relation to providing the overdraft. So she didn’t recommend that Mr W’s complaint be upheld. Mr W disagreed and asked for an ombudsman to look at his complaint.

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 Mr W’s complaint.

NatWest needed to make sure it didn’t lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Mr W 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.

NatWest says it agreed to Mr W’s initial overdraft application and his limit increases after it obtained information on his income and expenditure and carried out a credit search. On the other hand, Mr W says it was obvious he had a gambling problem and so shouldn’t have been lent to. I’ve carefully thought about what Mr W and NatWest have said.

I have to start by saying that NatWest did ask Mr W about his income and expenditure before providing the overdraft and limit increases. And the information provided did suggest that what was being advanced was affordable. However, I’m mindful that Mr W made three applications within a short period of time. And in these circumstances, I think that NatWest should have taken a closer look at his circumstances before agreeing to the increases.

That said, having looked through Mr W's statements, in the lead up to the overdraft being provided, I don't think that there was anything concerning in this period of time. In particular, there wasn't anything in Mr W's account transactions prior to the increase which contradicted what Mr W had declared during his applications.

Mr W says his account transactions obviously showed that he had a gambling problem. I would agree that it might have been irresponsible for NatWest to have lent to him had this been the case. But having looked through Mr W's statements in the lead up to the overdraft applications, I don't think that it was obvious Mr W was gambling excessively. The overwhelming majority of Mr W's transactions were made up of account transfers, retail debit card purchases and direct debits.

To be clear, I'm not saying Mr W wasn't gambling at this stage - it's possible he was in other ways. What I'm saying is, this isn't immediately obvious from the conduct of this account. As this is the case and bearing in mind what I've already said about the bank statements not contradicting Mr W's income and expenditure declarations, I'm satisfied the information available suggested NatWest was reasonably entitled to conclude Mr W could repay what he was being lent within a reasonable period of time.

I know that Mr W's position did worsen after the increase to £3,000.00 was agreed. And it's more apparent from his statements that he's gambling after this. But this was after the decision to lend had already been taken. And it wouldn't be fair and reasonable for me to use hindsight here, or say that NatWest should have known this would happen.

So overall while I have doubts as to whether NatWest's checks did go far enough, bearing in mind what Mr W's statements in the period leading up to the increase showed, I don't think that NatWest treated Mr W unfairly or unreasonably when providing him with his overdraft or his limit increases. And I'm not upholding Mr W's complaint. I appreciate this will be very disappointing for Mr W. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 November 2021.

Jeshen Narayanan
Ombudsman