

The complaint

Miss B has complained that Nationwide Building Society allowed her to increase her overdraft limit beyond what she could afford to maintain when she was in financial difficulty.

What happened

Miss B complained to Nationwide about her overdraft facility. She said Nationwide had been irresponsible to lend to her given her serious financial difficulties at the time. Nationwide didn't uphold the complaint. And as Miss B was dissatisfied, she referred the complaint to our service.

Miss B's complaint was considered by one of our adjudicators. He thought that Nationwide ought to have realised that Miss B was experiencing financial difficulty by April 2015 and so shouldn't have added any more interest, fees and charges from this point onwards. Nationwide didn't respond, so the case was passed to an ombudsman.

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 whether a bank treated a customer fairly and reasonably when applying overdraft charges, and when considering whether a lender acted responsibly in providing further lending. So I don't consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I'm intending to find that Nationwide acted unfairly when it continued charging overdraft interest and associated fees from April 2015. By this point, it ought to have been clear that Miss B was no longer operating her account in a sustainable manner.

I say this because Nationwide increased Miss B's overdraft limit in April 2015, and at this time we would expect it to have taken steps to ensure that not only was the new level of borrowing appropriate but also that Miss B wasn't struggling with the overdraft she already had. As part of that I think nationwide should have taken at least a cursory look at how Miss B's account was operating. If it had done so it would have seen a pattern of significant and concerning gambling emerging on Miss B's account. And this should have indicated to Nationwide that Miss B's use of her overdraft was becoming unsustainable. In these circumstances, Nationwide ought to have realised that Miss B was at a significant risk of being unable to repay what she already owed. So Nationwide should have stopped providing the overdraft on the same terms and treated Miss B with forbearance rather than adding even more interest, fees and charges on the overdraft.

Miss B ended up paying additional interest, fees and charges on her overdraft and this ended up exacerbating difficulties she already had in trying to clear it. So I think that Nationwide didn't treat Miss B fairly and she lost out because of what Nationwide did wrong. And this means that it should put things right.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Miss B's complaint for Nationwide to put things right by:

- Reworking Miss B's current overdraft balance so that all interest, fees and charges applied to it from April 2015 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Miss B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss B's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in April 2015.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss B 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 Miss B's credit file.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Miss B a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Miss B's complaint. Nationwide Building Society should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 16 December 2021.

Sophie Mitchell
Ombudsman