

The complaint

Mr B is unhappy that National Westminster Bank Plc (“NatWest”) gave him an overdraft without checking his credit history.

What happened

One of our adjudicators looked into Mr B’s concerns and didn’t think NatWest had done anything wrong or treated Mr B unfairly. Mr B, disagreed and so the complaint was passed to an ombudsman for a final 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 irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I’ve referred to this when deciding Mr B’s complaint. Having considered everything provided, I’ve decided not to uphold Mr B’s complaint. I’ll explain why in a little more detail.

NatWest needed to make sure that 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 B would be able to repay what he was being lent before providing any credit to him. 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. Mr B says if NatWest had checked his credit file it would’ve seen he had defaults registered against him. But NatWest has told us at the time Mr B was approved for the £250 overdraft the defaults hadn’t show up on the credit report as Mr B had provided an incomplete address history and the credit reference agency it used hadn’t yet managed to link all Mr B’s addresses.

So I don’t agree that NatWest approved Mr B an overdraft when it knew he had defaults registered against him – NatWest carried out the appropriate credit check on Mr B and were entitled to rely on the information provided to it.

I’d also add that the overdraft was for a modest amount of £250. And given the credits going into the account of around £2,000 a month, I don’t think that it was unreasonable for NatWest to conclude Mr B would be able to repay the additional funds within a reasonable period of time.

This means that I don't agree NatWest provided Mr B with an overdraft unfairly or irresponsibly. That said, even though Mr B's overdraft wasn't approved irresponsibly, NatWest still won't have acted fairly and reasonably towards Mr B if it applied any interest, fees and charges to Mr B's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr B was experiencing financial difficulty.

So I've considered whether there were instances where NatWest didn't treat Mr B fairly and reasonably. I don't think that NatWest did treat Mr B unfairly or unreasonably though. I say this because having looked at Mr B's statements I can't see anything to suggest that NatWest ought to have realised he might have been experiencing financial difficulty prior to it being notified of this.

I accept that Mr B was using his overdraft regularly. But it is clear that funds were going into the account which reduced the outstanding balance and at times brought it into credit. Equally while I'm not seeking to make retrospective value judgements over Mr B's expenditure, nonetheless the transactions leaving the account are mainly - if not all - non-committed, non-contractual and discretionary.

Furthermore, the amount being credited to Mr B's account each month didn't indicate that there was no reasonable prospect of him seeing a credit balance at any stage either. I accept neither of these things in themselves mean that Mr B wasn't experiencing financial difficulty. But there isn't anything in these transactions in themselves which ought to have alerted NatWest to any potential financial difficulty.

So, in these circumstances I don't think that it was unreasonable for NatWest to proceed with adding the interest, fees and charges it did until Mr B got in touch. And I don't think that NatWest treated Mr B unfairly or unreasonably which means that I'm not upholding this complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 1 March 2022.

Caroline Davies
Ombudsman