

The complaint

Mr and Mrs A have complained that changes National Westminster Bank Plc (NatWest) made to its charging structure for overdrafts were unfair. They also feel that NatWest didn't help them with their financial difficulties and that the continued application of charges and interest to their account exacerbated their financial difficulties.

What happened

Mr and Mrs A contacted NatWest in March 2020, they said they had visited their local branch recently to ask for help with managing their account given the planned changes to NatWest's overdraft charging structure. They'd had some major life events which meant they were struggling financially and were concerned that the changes would exacerbate those difficulties. They were unhappy that the branch hadn't been able to offer them any assistance and so wanted to raise a complaint.

NatWest responded to say that it felt the change to its charging structure was fair, and to suggest that Mr and Mrs A contact its financial assistance team or lending team if they needed help with their finances. Mr and Mrs A remained unhappy and so referred their complaint to us.

One of our adjudicators looked at this complaint and thought that NatWest hadn't done anything wrong. He explained that the changes to NatWest's charging structure were a commercial decision and so not something we could consider. He went on to explain that he didn't think there was enough to suggest to NatWest that Mr and Mrs A were in financial difficulties and so he didn't think it needed to have done anything more. Mr and Mrs A disagreed and so the complaint was passed to an ombudsman for review.

I issued my provision decision on this complaint on 10 November 2021. NatWest didn't have any new comments to make following that provisional decision. Mr and Mrs A set out why they felt the redress I had detailed should be changed.

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.

In my provisional decision I explained the following:

“NatWest 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. So I don't consider it necessary to set all of this out in this provisional decision.

Having carefully considered everything provided, I think NatWest acted unfairly when it continued adding interest and associated fees and charges to Mr and Mrs A's overdraft from March 2020.

This is when Mr and Mrs A say they visited the branch to explain their financial difficulties and to ask for help. NatWest has said it has no record of this meeting at the branch, but the complaint notes show that Mr and Mrs A called NatWest the next day to complain about what had happened at the meeting, so I'm satisfied that it's more likely than not that the branch meeting did take place. And I've not seen anything to make me doubt that Mr and Mrs A's recollections of what they discussed at that meeting are likely to be incorrect given that they detailed their concerns about the meeting to NatWest's complaints department the very next day. In any case, when they called NatWest to complain Mr and Mrs A again set out their particular financial difficulties at the time. So I don't think there can be any dispute that NatWest was aware of Mr and Mrs A's financial difficulties in March 2020.

And once a lender is told a borrower is experiencing financial difficulty we'd expect it to exercise forbearance and due consideration, in line with its regulatory obligations. Ultimately, we'd expect a lender to listen to a borrower, get an understanding of their circumstances and assess the most appropriate way to move forward. In its final response letter from March 2020 NatWest gave contact details for its financial assistance team and lending team, but I don't think this was enough given that Mr and Mrs A say they had already been told in the branch that they would not be able to get further lending and that there was no other help that NatWest could offer them to avoid the charges on their overdraft. I can understand why they would therefore feel that there was no benefit to them contacting the departments detailed in the final response letter.

I'm also mindful that by this stage Mr and Mrs A's account hadn't seen a credit balance for several months and there had been a significant reduction in the credits to the account. All of this means that I think NatWest was aware that Mr and Mrs A were experiencing financial difficulty and so shouldn't have continued offering their overdraft on the same terms. And I think NatWest should have taken proactive steps to ensure that their financial situation didn't continue to deteriorate, rather than leaving it to them to make contact when they had already been led to believe that there was little help that NatWest could offer.

As NatWest didn't react to Mr and Mrs A's overdraft usage or act decisively enough in March 2020 and instead continued applying charges and interest to their overdraft, I think it failed to act fairly and reasonably towards them.

Mr and Mrs A ended up paying additional interest, fees and charges on their overdraft at a time when they were already experiencing difficulty. So, I'm intending to say that Mr and Mrs A lost out because of what NatWest did wrong and that it should put things right."

In summary, my recommendation was that NatWest reduce the outstanding balance on Mr and Mrs A's account by refunding the fees and charges applied from March 2020. I set out that NatWest should then ensure that an affordable repayment plan is in place for the remaining debt and amend Mr and Mrs A's credit files to reflect what would have happened if it had started taking action in March 2020.

Mr and Mrs A have said they think it would be fair for NatWest to also cover additional costs they say they incurred – a missed half days work for Mr A, the costs of extending their mortgage to allow them to go into a debt management plan, and the cost to Mrs A of the negative information recorded on her credit file. Mr and Mrs A have also said that they think any record of the debt should be removed from Mrs A's credit file and should only be recorded on Mr A's credit file.

I can understand why Mr and Mrs A feel the way they do, but I don't agree that I can fairly hold NatWest responsible for the additional costs they have detailed. I appreciate that Mr A feels the visit to branch was wasted, but it was his choice to take leave to visit the branch, there were other options for contacting the bank which would not have required him to miss

work. And I think it is difficult to say that it is solely this account and NatWest's failure to stop charges and interest in March 2020 that caused Mr and Mrs A to need to enter a debt management plan and extend their mortgage, particularly as they have confirmed the debt management plan includes other debts. I also don't think it would be reasonable to ask NatWest to remove any record of this debt from Mrs A's credit file as this was a joint account. I know Mr and Mrs A say they asked for Mrs A to be removed from the account, but when an account is in debit I think it is reasonable for the bank to refuse to remove someone who is party to the account and therefore jointly responsible for repaying the debt.

Mr and Mrs A have also suggested that the refund of charges should be split between all their creditors, but I think it is fair for NatWest to reduce the outstanding balance as set out in my provisional decision. The charges and fees form part of the outstanding balance and so it is reasonable that they should be used to reduce that balance.

I also note Mr and Mrs A's comment about not wishing to change or stop the debt management plan they are currently in, which includes this account. And I agree that there is no reason why that debt management plan would need to be changed as long as it is still affordable and is working for all the parties involved.

Putting things right

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

- Reworking Mr and Mrs A's current overdraft balance so that all interest, fees and charges applied to it from March 2020 onwards are removed.

AND

- It is my understanding that an outstanding balance will remain on the overdraft once these adjustments have been made, and that Mr and Mrs A are currently in a debt management plan which includes this overdraft. There is no reason why the monthly payments agreed under that debt management plan should not continue as they are. But as with any repayment plan it is reasonable for it to be regularly reviewed to ensure it is still affordable and appropriate in Mr and Mrs A's circumstances.

AND

- If NatWest considers it appropriate to record negative information on Mr and Mrs A's credit files, it should reflect what would have been recorded had it started the process of taking corrective action on the account from March 2020.

OR

- If circumstances have changed and there is no longer any outstanding balance on Mr and Mrs A's account once the charges and fees have been refunded, then any extra should be treated as overpayments and returned to Mr and Mrs A 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 NatWest should remove any adverse information from Mr and Mrs A's credit files.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr and Mrs A a certificate showing how much tax it has taken off if they ask for one.

My final decision

For the reasons I've explained, I'm upholding Mr and Mrs A's complaint and National Westminster Bank Plc 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 Mr A and Mrs A to accept or reject my decision before 6 January 2022.

Sophie Mitchell
Ombudsman