

## **The complaint and background**

Mr R has complained about National Westminster Bank Plc's charging structure for overdrafts. He says that he has been incurring a large cost for his overdraft facility for many years and that the changes to NatWest's charging structure in 2020 would only make things worse. He's said he asked NatWest for help – through a personal loan – but that he was refused the loan and no other help was offered. NatWest didn't uphold the complaint. And as Mr R was dissatisfied he referred the complaint to our service.

Mr R's complaint was considered by one of our adjudicators. He thought that NatWest ought to have realised that Mr R was experiencing financial difficulty by September 2015 and so shouldn't have added any more interest, fees and charges from this point onwards. NatWest disagreed 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.

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 decision.

Having carefully considered everything provided, I'm intending to find that NatWest acted unfairly when it continued charging overdraft interest and associated fees after 1 September 2015. By this point, it ought to have been clear that Mr R was in no position to sustainably repay what he owed within a reasonable period of time.

I say this because, by this point, Mr R was hardcore borrowing. In other words he hadn't seen or maintained a credit balance for an extended period of time. As our adjudicator explained, overdrafts are intended to be for unforeseen emergency borrowing not prolonged day-to-day expenditure. And the Lending Code, which was in place at the time, clearly stated that hardcore borrowing was a potential indicator of difficulty. So I remain of the view that sustained and prolonged overdraft usage is an indication of a potential problem.

With all this in mind, I think that Mr R's overdraft usage should have prompted NatWest to have realised that he wasn't using his overdraft as intended and so it shouldn't have continued offering it on the same terms. As NatWest didn't react to Mr R's overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

I acknowledge that Mr R was eventually able to repay the overdrawn balance of his account in April 2020, but I don't think that means that it was ok for NatWest to have taken no action regarding the state of his account in the previous 5 years.

Mr R ended up paying additional interest, fees and charges on his overdraft and this ended up exacerbating difficulties he already had in trying to clear it. So I think that NatWest didn't

treat Mr R fairly and he lost out because of what NatWest 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 Mr R's complaint for NatWest to put things right by:

- Reworking Mr R's current overdraft balance so that all interest, fees and charges applied to it after 1 September 2015 are removed.

AND

- I understand that Mr R has repaid the overdrawn balance of his account, but if this has changed and an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr R to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr R's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in September 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 Mr R 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 R's credit file.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr R a certificate showing how much tax it has taken off if he asks for one.

### **My final decision**

For the reasons I've explained, I'm upholding Mr R's complaint. NatWest 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 R to accept or reject my decision before 3 February 2022.

Sophie Mitchell  
**Ombudsman**