

The complaint

Miss C has complained that Nationwide Building Society (“NW”) acted irresponsibly by increasing her overdraft limit on two accounts when she was in financial difficulty.

What happened

Miss C had two accounts with NW. Account ending 1430 had an overdraft with a limit of £300. This was increased six times and eventually reached £1,000. Account ending 3779 again had an overdraft with a limit of £300 which was increased nine times until the limit reached £1,000.

Miss C complained to NW that it acted irresponsibly by allowing her to increase her overdraft limits on a number of occasions. She says the increase in limits was unaffordable for her and the charges caused her financial difficulty. NW didn’t uphold the complaint. And as Miss C was dis-satisfied she referred the complaint to our service.

Miss C’s complaint was considered by one of our adjudicators. They thought that NW ought to have realised that Miss C was experiencing financial difficulty on account ending 1430 from February 2019 when the overdraft limit was increased to £1,000 and for account ending 3779 from June 2019 when the overdraft limit was increased to £800. And so they thought NW shouldn’t have added any more interest, fees and charges from these point onwards.

NW 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.

NW 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 NW acted unfairly when it continued charging overdraft interest and associated fees after it increased Miss C’s overdraft limit on account ending 1430 from February 2019 and account ending 3779 from June 2019. By these points, it ought to have been clear that Miss C was in no position to sustainably repay what she owed within a reasonable period of time.

By 2019, Miss C was hardcore borrowing. In other, words she hadn’t seen or maintained a credit balances for an extended period of time on either of her accounts. NW’s own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure. Miss C was already clearly struggling to manage her existing overdraft limits with NW when it again agreed to increase her limit on both accounts. A cursory look at her statements show she wasn’t able to bring down the overdrafts from the limits she already had.

So I think that Miss C's overdraft usage should have prompted NW to have realised that Miss C wasn't using her overdrafts as intended and shouldn't have continued offering them on the same terms. As NW didn't react to Miss C's overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Miss C ended up paying additional interest, fees and charges on her overdrafts and this ended up exacerbating difficulties she already had in trying to clear them. So I think that NW didn't treat Miss C fairly and she lost out because of what NW 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 C's complaint for NW to put things right by:

- Re-work Miss C's current overdraft balance so that any additional interest, fees and charges applied as a result of the overdraft limit increases from February 2019 (for account ending 1430) and June 2019 (for account ending 3779) onwards are removed. This means that from February and June 2019 onwards interest can only be charged on first £500 and £400 respectively, of any overdrawn balance.

AND

- If an outstanding balance remains on the overdrafts once these adjustments have been made NW should contact Miss C to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss C's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in February and June 2019.

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 C 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 NW should remove any adverse information from Miss C's credit file.

† HM Revenue & Customs requires NW to take off tax from this interest. NW must give Miss C 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 Miss C'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 C to accept or reject my decision before 20 July 2022.

Caroline Davies
Ombudsman