

The complaint

Mr and Mrs R has complained that Nationwide Building Society (“Nationwide”) acted unfairly by continuing to apply overdraft charges to their accounts when they were in financial difficulty.

What happened

Mr and Mrs R complained to Nationwide that the overdraft charges applied to their accounts were causing financial difficulties. Nationwide didn’t uphold their complaint, it says all charges were applied in-line with the terms and conditions of the account. And as Mr and Mrs R were dis-satisfied they referred the complaint to our service.

Mr and Mrs R’s complaint was considered by one of our adjudicators. They thought that Nationwide ought to have realised that Mr and Mrs R was experiencing financial difficulty by 29 December 2018 for account ending 9020 and 16 December 2019 for account ending 9209 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. 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 on Mr and Mrs R’s account from 29 December 2018 for account ending 9020 and 16 December 2019 for account ending 9209. By this point, it ought to have been clear that Mr and Mrs R were in no position to sustainably repay what they owed within a reasonable period of time.

By this point, Mr and Mrs R were hardcore borrowing. In other, words they hadn’t seen or maintained a credit balance for an extended period of time on either account. Nationwide’s own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure. So I think that Mr and Mrs R’s overdraft usage should have prompted Nationwide to have realised that Mr and Mrs R wasn’t using their overdraft as intended and shouldn’t have continued offering it on the same terms. As Nationwide didn’t react to Mr and Mrs R’s overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Mr and Mrs R ended up paying additional interest, fees and charges on their overdraft's and this ended up exacerbating difficulties they already had in trying to clear them. So I think that Nationwide didn't treat Mr and Mrs R fairly and they 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 Mr and Mrs R's complaint for Nationwide to put things right by:

- Reworking Mr and Mrs R's current overdraft balances so that all interest, fees and charges applied to them from 29 December 2018 for account ending 9020 and 16 December 2019 for account ending 9209 are removed.

AND

- If an outstanding balance remains on the overdrafts once these adjustments have been made Nationwide should contact Mr and Mrs R to arrange a suitable repayment plan, Mr and Mrs R are encouraged to get in contact with and cooperate with Nationwide to reach a suitable agreement. If it considers it appropriate to record negative information on Mr and Mrs R's credit file, Nationwide should reflect what would have been recorded had it started the process of taking corrective action on the overdrafts on 29 December 2018 for account ending 9020 and 16 December 2019 for account ending 9209. Nationwide can also reduce overdraft limits by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave Mr and Mrs R over their limit.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balances, then any extra should be treated as overpayments and returned to Mr and Mrs 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 Nationwide should remove any adverse information from Mr and Mrs R's credit file. Nationwide can also reduce Mr and Mrs R's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mr and Mrs R 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 R'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 Mr R and Mrs R to accept or reject my decision before 21 July 2022.

Caroline Davies
Ombudsman