

## **The complaint**

Mr S is unhappy that National Westminster Bank Plc (“NatWest”) approved an overdraft facility for him when he switched accounts. He says the overdraft wasn’t affordable for him.

## **What happened**

Mr S opened an account with NatWest and successfully applied for an overdraft in January 2019. Within a month Mr S was at the top of his overdraft limit and in June NatWest gave notice to Mr S that it was going to close his account.

Mr S complained to NatWest that it didn’t carry out proper affordability checks when he applied for his overdraft. NatWest said his application was fully credit scored and assessed against its lending criteria in force at the time. It says all charges were applied correctly in line with the terms and conditions of the account.

Mr S was dis-satisfied with this and brought his complaint to this service. Mr S would like a refund of the interest and charges paid.

Following this NatWest made the following offer:

- NatWest would refund the interest and charges since the account opened on 31 January 2019 (totalling £704.71).

This left an outstanding balance of £309.95. NatWest advised it would reduce the overdraft facility to prevent the charges increasing again and that Mr S contact it to make a payment plan to clear the remaining balance.

Mr S didn’t want to accept this offer, he would like negative information recorded on his credit report to be removed and has asked for an ombudsman’s 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.

Having considered everything provided, I’ve decided not to uphold Mr S’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 S 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.

I've kept all of this in mind when thinking about whether NatWest did what it needed to before agreeing to Mr S's overdraft. Mr S was given what was an open-ended credit facility. So overall this means the checks NatWest carried out had to provide enough for it to be able to understand whether Mr S would be able to repay his overdraft within a reasonable period of time.

NatWest says Mr S opened an account and applied for a £1,250 overdraft online on 31 January 2019. The application was fully credit scored taking into account information Mr S provided about his income and outgoings as well as information held by other lenders provided through credit reference checks. And based on this information NatWest was satisfied his score was high enough to provide him with the overdraft facility he requested.

I accept that Mr S's financial position may well have been worse than the credit check carried out showed or in any information he disclosed to NatWest at the time. And it is possible that further checks might have told NatWest this. But NatWest was reasonably entitled to rely on the credit check it carried out. Given there is no evidence of any adverse information shown on the credit check and the amount of credit being advanced was relatively low, I think NatWest's checks went far enough.

But in any case, I don't think this matters because NatWest has already agreed to do what I'd recommend if I'd found it had done something wrong.

Where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been charged the fees and given the credit they shouldn't have.

So where a business provides a consumer to use a credit facility which it should have realised was unaffordable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any interest and charges on that credit. This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unaffordable – in this case from 31 January 2019. And if those interest and charges were paid also add 8% simple interest per year.

NatWest has told us that Mr S is left with an outstanding debt, once all adjustments have been made, and he's been 'refunded' all of the interest, fees and charges caused by his overdraft from January 2019. So while Mr S has been left with a balance and he might be unhappy with this, NatWest has offered to do what I'd normally expect it to do here.

Furthermore, I understand Mr S is unhappy about negative information being reported on his credit file and would like this information removed. But NatWest does have a duty to make sure the information it reports on its customers affairs to the credit reference agencies it subscribes to is factually accurate. And as Mr S retains an outstanding balance with NatWest it is entitled to report this information.

So bearing all this in mind, I'm satisfied that what NatWest has already agreed to do for Mr S is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything more. As this is the case, it's up to Mr S to decide whether he wishes to accept NatWest's offer.

**My final decision**

For the reasons I've explained, I'm satisfied that what National Westminster Bank Plc has already agreed to do is fair and reasonable in the circumstances of this case. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 4 April 2022.

Caroline Davies  
**Ombudsman**