

The complaint

Mr M is unhappy that National Westminster Bank Plc (“NatWest”) approved an overdraft facility for him that he considers unaffordable. He is also unhappy that correspondence for him went to the wrong address.

What happened

Mr M successfully applied for a £4,500 overdraft facility in March 2020. During the following 6 months Mr M used his overdraft for gambling and when he hit the top of his limit he used loans to pay it back and then again spent to the top of his limit. In October 2020 a default notice was issued and then default applied to his credit file in February 2021.

Mr M complained to NatWest that it didn’t carry out proper affordability checks when he applied for his overdraft and that correspondence was sent to the wrong address. 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.

NatWest said it held Mr M’s correct address and that all correspondence was sent to this address. But as a gesture of goodwill it credited his account £150 for the stress caused by not receiving his correspondence. Mr M was dis-satisfied with this and brought his complaint to this service.

Following this NatWest made the following offer:

- NatWest would refund the interest and charges since the overdraft was approved in April 2020 (totalling £291.76 after accounting for interest refunds already made).
- As Mr M is no longer in debt NatWest have confirmed it will add 8% simple interest to the refund.

Mr M didn’t want to accept this offer, he would like negative information recorded on his credit report to be removed and wants to be compensated more for the upset caused by his neighbour receiving his mail. He 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 M’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 M 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 M's overdraft. Mr M 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 M would be able to repay his overdraft within a reasonable period of time.

NatWest says Mr M applied for his overdraft online in March 2020. The application was fully credit scored taking into account information Mr M 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 M'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 there wasn't any evidence of significant gambling on his account prior to the overdraft being approved 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 and we may award modest compensation for any distress and inconvenience caused.

So where a business provides a consumer with 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 April 2020. And if those interest and charges were paid also add 8% simple interest per year.

NatWest has already agreed to do this as well as awarding Mr M £150 compensation for the distress caused by not receiving letters and statements from it which I think is fair and reasonable.

I understand Mr M 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 M defaulted on his overdraft NatWest it is entitled to report this information.

Mr M might be interested to know that he can place a 'Notice of Correction' on his credit records. The purpose of such a notice is to allow someone the opportunity to add any explanatory circumstances that he would like prospective lenders to take into consideration when making lending decisions. If he wishes to do this, he should contact the credit reference agencies directly.

So, bearing all this in mind, I'm satisfied that what NatWest has already agreed to do for Mr M 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 M 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 M to accept or reject my decision before 25 April 2022.

Caroline Davies
Ombudsman