

The complaint

Ms R is unhappy with the way Nationwide Building Society (“Nationwide”) treated her when she was experiencing financial difficulties. She is also unhappy it closed her account when she switched banks as she thought she would have use of the overdraft for a further month.

What happened

Following contact from Ms R in February 2020 she was put on a repayment plan to help pay her overdraft. Ms R says she was pressured to pay more than she could afford.

In November 2020 Ms R’s account was closed when she switched her account to another bank. Ms R complained to Nationwide about it closing her account when she was only expecting a partial switch. She was also unhappy with the service she received from the collections team regarding her account.

Nationwide didn’t uphold her account regarding the closing of her account as it said no errors had been made on its part, but it did compensate her £100 for the service she had received.

Ms R was dis-satisfied with this and referred her complaint to us. One of our adjudicators looked at this complaint and thought that Nationwide couldn’t be held responsible for the errors made in the switching out process as that was the responsibility of the bank she was switching to.

But they thought that Nationwide should have stepped in sooner to assist Ms R as it was clear from her bank statements she hadn’t seen or maintained a credit balance for an extended period of time. They thought Nationwide should have stopped charging overdraft fees from 1 March 2018 as by this point it was clear Ms R was in financial difficulty.

Nationwide made an offer in-line with our adjudicators view. It said that it would:

- 1) rework current account overdraft balance so all interest fees and charges applied to it from 1 March 2018 onwards are removed.
- 2) if an outstanding balance remains once the adjustments have been made arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on the account it would backdate this to 1 March 2018.
- 3) or if the effect of removing all interest fees and charges result there no longer being a balance, any extra will be treated as overpayments along with 8% simple interest on the overpayments from the date they were made until date of settlement. If no outstanding balance remains after all adjustments made, then it will remove any adverse data from the credit file.

Ms R didn’t wish to accept this offer – she would like further compensation for being denied access to the overdraft of £600 she had with Nationwide prior to her account being switched 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 carefully considered everything, I think that what Nationwide has already agreed to do to put things right for Ms R is fair and reasonable in all the circumstances of this complaint. I'll explain why I think this is the case.

It might help for me to start by explaining that 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 that we think is fair and reasonable.

So where a business continues to allow a consumer to use a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further 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 unsustainable. And if those interest and charges were paid also add 8% simple interest per year.

I'm in agreement with our adjudicator here that although a payment plan may have been reached in 2020 I don't think this was soon enough. I say this because even having a cursory look at Ms R's bank statements I can see she hadn't been able to maintain or see a credit balance for an extended period of time and think that Nationwide should've stepped in by 1 March 2018.

Nationwide has agreed to this – and Ms R will be 'refunded' all of the interest, fees and charges caused by her overdraft from 1 March 2018. So while Ms R has been left with a balance and she might be unhappy with this, Nationwide has agreed to do what I'd normally expect it to do here.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit when it shouldn't have (such as here), we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Ms R says Nationwide haven't done enough. In particular she is unhappy that her overdraft and account was closed sooner than she expected denying her access to her £600 overdraft with Nationwide. But as has been explained above Nationwide wasn't responsible for the switching process – it was the bank Ms R was switching to – so I can't say Nationwide did anything wrong here. And the £600 overdraft weren't Ms R's funds to keep – the funds represent a debt Ms R owed to Nationwide.

Furthermore, Nationwide has already apologised and compensated Ms R £100 for inadequate service which I consider fair and reasonable in the circumstances.

Bearing in mind all of this, I'm satisfied that what Nationwide has already agreed to do to put things right for Ms R 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 Ms R to decide whether she wishes to accept Nationwide's offer.

My final decision

For the reasons I've explained, I'm satisfied that what Nationwide Building Society has already agreed to do to put things right for Ms R 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 Ms R to accept or reject my decision before 22 July 2022.

Caroline Davies
Ombudsman