

## **The complaint**

Miss B has complained that Nationwide Building Society (“Nationwide”) acted unfairly by continuing to apply overdraft charges to her account when she was in financial difficulty.

## **What happened**

Miss B complained to Nationwide that the overdraft charges applied to her account were causing financial difficulties. Nationwide didn’t uphold her complaint. It says all charges were applied in-line with the terms and conditions of the account. And as Miss B was dis-satisfied she referred the complaint to our service.

Miss B’s complaint was considered by one of our adjudicators. They thought that Nationwide ought to have realised that Miss B was experiencing financial difficulties by June 2020 and so shouldn’t have added any more interest, fees and charges from this point onwards.

Nationwide disagreed – it says Miss B always credited the account with enough transfers in and wages to see a credit balance and that Miss B’s financial difficulties were caused by discretionary spending. So the case was passed to an ombudsman for a final 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.

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 Miss B’s account from June 2020. By this point, it ought to have been clear that Miss B was in no position to sustainably repay what she owed within a reasonable period of time.

Miss B’s statements show that up until July 2019 Miss B was using her overdraft but regular credits into her account meant she saw a credit balance most months. But after this point Miss B went further into her overdraft and her account became permanently overdrawn. I accept that some of Miss B’s expenditure was on discretionary transactions, but the vast majority of transactions was on everyday living and essential bills - where on occasion the direct debits for these were returned.

Nationwide’s own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure. So I think that Miss B’s overdraft usage should have prompted Nationwide to have realised that Miss B wasn’t using her overdraft as intended and shouldn’t have continued offering it on the same terms. As Nationwide didn’t react to Miss B’s overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Miss B ended up paying additional interest, fees and charges on her overdraft and this ended up exacerbating difficulties she already had in trying to clear it. So I think that Nationwide didn't treat Miss B fairly and she 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 Miss B's complaint for Nationwide to put things right by:

- Reworking Miss B's current overdraft balance so that all interest, fees and charges applied to it from June 2020 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Miss B to arrange a suitable repayment plan, Miss B is 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 Miss B's credit file, Nationwide should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in June 2020. Nationwide can also reduce the overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave Miss B over her limit.

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 B 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 Miss B's credit file.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Miss B a certificate showing how much tax it has taken off if she asks for one.

**My final decision**

For the reasons I've explained, I'm upholding Miss B'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 B to accept or reject my decision before 9 December 2022.

Caroline Davies  
**Ombudsman**