

## **Complaint**

Mrs M has complained that Nationwide Building Society (“Nationwide”) unfairly increased and then added interest, fees and charges to her overdraft even after it had become clear that she was struggling to repay what she already owed.

## **Background**

One of our adjudicators looked at Mrs M’s complaint and thought Nationwide should have realised Mrs M’s overdraft had already become unsustainable for her by November 2019. So it needed to refund all the interest, fees and charges it added to Mrs M’s overdraft from this point. Despite having been provided with additional time to do so, Nationwide didn’t respond and so the complaint was passed to an ombudsman.

## **My findings**

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 think Nationwide acted unfairly when it continued charging overdraft interest and associated fees from November 2019. By this point, it was evident Mrs M’s overdraft had become unsustainable for her.

A cursory look at her statements during this period shows that Mrs M hadn’t seen a credit balance for an extended period of time. And by this stage the credits going into the account didn’t suggest that it was reasonable for Nationwide to believe that Mrs M was in a position to repay what she owed without borrowing further or experiencing difficulty either.

So I think that by November 2019 Nationwide should have stopped providing the overdraft on the same terms and treated Mrs M with forbearance rather than increasing Mrs M’s limit and adding even more interest, fees and charges on the overdraft.

All of this means that Nationwide should have realised that Mrs M was experiencing financial difficulty and offered her help to repay what she owed. As Nationwide didn’t react to Mrs M’s account usage and instead increased her limit, I think it failed to act fairly and reasonably.

Mrs M ended up paying additional interest, fees and charges at a time when she was already struggling to repay what she owed. So I’m satisfied that Mrs M lost out because of what Nationwide did wrong and that it should put things right.

## **Fair compensation – what Nationwide needs to do to put things right for Mrs M**

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mrs M's complaint for Nationwide to put things right by:

- Reworking Mrs M's current overdraft balance so that all interest, fees and charges applied to it from November 2019 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Mrs M to arrange a suitable repayment plan, Mrs M is encouraged to get in contact with and cooperate with Nationwide to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mrs M's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in November 2019. Nationwide can also reduce Mrs M's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave her 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 Mrs M 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 Mrs M's credit file. Nationwide can also reduce Mrs M'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 Mrs M 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 Mrs M'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 Mrs M to accept or reject my decision before 30 May 2023.

Jeshen Narayanan  
**Ombudsman**