

## **The complaint**

Miss R has complained that National Westminster Bank Plc (“NatWest”) acted irresponsibly by agreeing to increase her overdraft to a limit that wasn’t affordable which has led to financial difficulties.

## **What happened**

In March 2018 Miss R held a bank account with NatWest with an overdraft limit of £2,250. This was increased to £3,500 in October that year with further increases to £4,000 in January 2019 and £5,500 in November 2019.

Miss R complained to NatWest that it acted irresponsibly by lending to her and allowing her to increase her overdraft limit on a number of occasions. NatWest didn’t uphold the complaint and Miss R referred the complaint to our service.

Miss R’s complaint was considered by one of our adjudicators. They thought that there wasn’t anything in the information provided by Miss R, her account history or credit checks that suggested the overdraft lending was unaffordable and thought that NatWest’s checks went far enough.

Miss R doesn’t agree. She says the charges on her overdraft were such a large proportion of her income that she was forced to borrow again and that her monthly expenses were more than her income and asked for an ombudsman’s decision.

I issued my provisional decision on 3 May 2023. In my provisional decision, I explained why I was proposing to uphold Miss R’s complaint.

I invited both parties to let me have any further submissions before I reached a final decision and neither NatWest or Miss R have added anything further.

## **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.

In my provisional decision I said that:

*“NatWest needed to make sure that it didn’t lend irresponsibly. In practice, what this means is it needed to carry out proportionate checks to be able to understand whether Miss R would be able to repay what she was being lent before providing any credit to her. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.*

*Miss R’s overdraft is what we refer to as an open-ended credit facility. This means the checks NatWest carried out had to provide enough for it to be able to understand whether Miss R would be able to repay her overdraft within a reasonable period of time.*

*In the six years before raising her complaint NatWest approved overdraft limit increases from £2,250 to £5,500. The applications for the limit increases were made online. NatWest says all applications were credit scored taking into account information Miss R provided about her income and how she had managed her account with it, as well as information held by other lenders provided through credit reference checks. And based on this information NatWest was satisfied her score was high enough to provide her with the overdraft facility she requested.*

*And having viewed Miss R's statements leading up to the January 2019 increase to £4,000, I can see that although Miss R did use her overdraft, she had a regular salary upwards of £3,000 coming in and often saw and was able at times to maintain a credit balance for a reasonable period of time.*

*I can also see that although Miss R had some regular payments going out a significant amount of her spending was on non-committed and discretionary transactions such as retail, fast food and leisure. I also note that Miss R's credit report showed up no adverse data at the time the January overdraft limit increase was approved. So I think NatWest's checks went far enough and I don't think NatWest acted unfairly in increasing her limit up until this point.*

*But I don't agree that NatWest's checks went far enough for the November 2019 increase to £5,500. NatWest will be familiar with 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 and approving increases in overdraft limits. So I don't consider it necessary to set all of this out in this decision.*

*I think by November 2019 Miss R's statements show she was spending more time and going deeper into her overdraft. As soon as Miss R's salary came in the money would go back out again and overall the overdraft wasn't reducing. I also note that it was around this time she started paying nursery fees of around £1,000 a month.*

*Miss R was struggling to manage her existing overdraft limit and I think that NatWest ought to have realised that continuing to allow Miss R to use her overdraft in this way wasn't in her best interests and there was a significant risk that she may not be able to pay back what she already owed within a reasonable period of time - let alone increased amounts.*

*So I currently don't think NatWest should have allowed Miss R to increase her limit to £5,500 or continued offering the overdraft on the same terms. And instead NatWest should have treated Miss R with forbearance.*

*As NatWest didn't react to Miss R's overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably. And this means that it should put things right. "*

As neither party has provided any further evidence or arguments for consideration, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I uphold this complaint.

### **Putting things right**

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

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

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Miss R to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss R'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.

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 R 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 NatWest should remove any adverse information from Miss R's credit file.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Miss R a certificate showing how much tax it has taken off if they ask for one.

### **My final decision**

For the reasons I've explained, I uphold Miss R's complaint against National Westminster Bank Plc and direct it pay the fair compensation outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 2 June 2023.

Caroline Davies  
**Ombudsman**