

The complaint

Mrs W says National Westminster Bank Plc (“NatWest”) acted unfairly by continuing to allow the use of her overdraft facility when there were clear signs of financial difficulty. She says the fees and charges added to the account made her position significantly worse.

What happened

Mrs W held an account with an overdraft facility with a limit of £4,350. Mrs W’s account statements show the account received some large transfers in and out within days of each other, but overall, the account was continually overdrawn and at the top of her limit from around July 2017 until Mrs W raised her complaint.

Following NatWest writing to Mrs W in July 2018 regarding her overdraft usage Mrs W got in contact with NatWest. NatWest’s internal notes record that Mrs W didn’t think she was having financial difficulties but was temporarily behind with her mortgage and that she wanted to set up a reduction plan. As Mrs W did not have her income and expenditure details, she said she would call back but failed to do so.

NatWest says Mrs W didn’t use the account as her main account and that Mrs W had never contacted it to advise that she was in financial difficulty or asked it to help prior to her raising her complaint. NatWest says all charges and interest have been applied to the account correct and as such it cannot issue a refund.

Mrs W’s complaint was considered by one of our adjudicators. They thought having reviewed Mrs W’s statements they didn’t think there were signs of financial difficulty that ought to have prompted the bank to treat her differently. They said there were significant amounts transferred into and out of the account which could’ve cleared the balance.

Mrs W disagreed – she says the large credits into the account were from her parents to assist with her mortgage.

So the complaint came to me for a decision. I issued my provisional decision on 27 April 2023. In my provisional decision, I explained why I was proposing to uphold Mrs W’s complaint.

I invited both parties to let me have any further submissions before I reached a final decision. Both parties have confirmed they have received my decision and neither NatWest or Mrs W have provided any new information.

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 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 currently think NatWest acted unfairly when it continued charging overdraft interest and associated fees from August 2019. By this point, it ought to have been clear that Mrs W was in no position to sustainably repay what she owed within a reasonable period of time.

By this point, NatWest ought to have realised that Mrs W’s use of her overdraft was unsustainable. Mrs W’s statements show that she was consistently overdrawn and near the top of her limit and although at times there were large credits in that paid off her overdraft within days the same amounts would go out and Mrs W would once again be near her overdraft limit. Although at times Mrs W did make transfers into the account, they were not regular and overall her overdraft was not reducing.

I accept that Mrs W doesn’t appear to be using the account as her main account and the vast majority of the transactions on Mrs W’s account were discretionary, non-committed transactions. But this doesn’t mean that NatWest should continue to allow the use of what should be short term lending to continue for a number of years. NatWest ought to have realised that Mrs W was at a significant risk of being unable to repay what she owed.

NatWest say Mrs W never contacted it about being in financial difficulty. But by NatWest’s own admission it says it wrote to Mrs W in 2018 and 2019 about the overdraft usage and that the account had entered collections on a few occasions.

So I think it was aware Mrs W wasn’t using the overdraft as intended. NatWest should have stopped providing the overdraft on the same terms and treated Mrs W with forbearance rather than charge even more interest, fees and charges on the overdraft.

Mrs W 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 currently think that NatWest didn’t treat Mrs W fairly and she lost out because of what NatWest did wrong. 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 Mrs W’s complaint for NatWest to put things right by:

- Reworking Mrs W’s current overdraft balance on account so that all interest, fees and charges applied to it from August 2019 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mrs W to arrange a suitable repayment plan, Mrs W is encouraged to get in contact with and cooperate with NatWest to reach a suitable agreement. If it considers it appropriate to record negative information on Mrs W’s credit file, NatWest should reflect what would have been recorded

had it started the process of taking corrective action on the overdraft in August 2019. NatWest can also reduce overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave Mrs W over their limit.

- 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 W 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 Mrs W's credit file.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mrs W 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 Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 7 June 2023.

Caroline Davies
Ombudsman