

## **Complaint**

Mrs O has complained that National Westminster Bank Plc (“NatWest”) irresponsibly lent to her and unfairly continued applying charges to her overdraft when she was in financial difficulty.

## **Background**

One of our adjudicators looked at this complaint and thought NatWest should have realised that Mrs O’s overdraft had become unsustainable for her by January 2018 and so it shouldn’t have added the charges it did from this point onwards.

NatWest agreed to refund the interest, fees and charges it added to Mrs O’s account from this point onwards. However, it refused to backdate the adverse the information it recorded on Mrs O’s credit file. So the complaint was passed to an ombudsman for a final decision.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

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 considered everything provided, I think NatWest acted unfairly when it continued adding interest and associated fees and charges to Mrs O’s overdraft from January 2018. By this point, it was evident that Mrs O’s overdraft had become unsustainable for her and that continuing to provide it was likely to cause significant adverse consequences.

A cursory look at Mrs O’s statements leading up to this period shows that she hadn’t seen a credit balance for an extended period of time and so she was hardcore borrowing. Mrs O was also struggling to manage and was in a cycle of payday and other high cost lending.

So overall by January 2018, I think that NatWest ought to have realised that Mrs O was struggling and unlikely to be able to sustainably repay her overdraft without help. In these circumstances, NatWest should have stopped providing the overdraft on the same terms. It should have instead treated Mrs O with forbearance, even if this meant taking corrective action in relation to the facility.

All of this means that NatWest should have realised that Mrs O wasn’t using her overdraft as intended and as the account conduct had suggested it had become unsustainable shouldn’t have continued offering it on the same terms. As NatWest didn’t react to Mrs O’s overdraft and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Mrs O ended up paying additional interest, fees and charges on her overdraft at a time when she was already experiencing difficulty. NatWest failed to take corrective action on Mrs O’s

overdraft at a time where I think it ought to have imposed a solution, due to the facility having become unsustainable.

As this is the case, I also think that it would be unfair for NatWest not to backdate the adverse information it has recorded to the point where it ought fairly and reasonably to have taken corrective action in relation to Mrs O's facility.

So I think that Mrs O lost out because of what NatWest did wrong and that it should put things right.

### **Fair compensation – what NatWest needs to do to put things right for Mrs O**

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

- Reworking Mrs O's current overdraft balance so that all interest, fees and charges applied to it from January 2018 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mrs O to arrange a suitable repayment plan, Mrs O is encouraged to get in contact with and cooperate with NatWest to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mrs O's credit file, it should reflect what would have been recorded if it had started the process of taking corrective action on the overdraft in January 2018. NatWest can also reduce Mrs O'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 O 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 O's credit file. NatWest can also reduce Mrs O's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mrs O 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 O's complaint. National Westminster Bank Plc 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 O to accept or reject my decision before 5 July 2023.

Jeshen Narayanan  
**Ombudsman**