

## **The complaint**

Mr P has complained that National Westminster Bank Plc (“NatWest”) acted irresponsibly by providing him with an overdraft.

## **What happened**

Mr P held an account with NatWest and applied and was approved for an overdraft with a limit of £1,250 in October 2016. This limit was reduced to £1,000 in February 2017 and temporarily increased to £1,125 in November 2017 for a month to allow Mr P to make his loan repayments.

Mr P complained to NatWest that it acted irresponsibly by approving an overdraft facility for him. NatWest didn’t uphold the complaint. And as Mr P was dis-satisfied he referred the complaint to our service.

One of our adjudicators looked into Mr P’s complaint and thought that the initial overdraft lending was reasonable based on the information NatWest had and that the checks it carried out were reasonable and proportionate.

Mr P disagreed, he says NatWest shouldn’t have lent to him as he had £30,000 of debt on his credit file and has asked for an ombudsman’s decision.

I issued my provisional decision on 5 September 2023. In my provisional decision, I explained why I was proposing to uphold Mr P’s complaint. I invited both parties to let me have any further submissions before I reached a final decision. Both NatWest and Mr P have confirmed receipt of my provisional and accepted my findings regarding NatWest’s overdraft lending decision although Mr P is disputing how NatWest have proposed to apply any refund of interest, fees and charges applied.

## **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 Mr P would be able to repay what he was being lent before providing any credit to him. Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate.*

*And in this case I’m not persuaded NatWest checks went far enough. I say this as at the time NatWest approved Mr P’s overdraft limit of £1,250 in October 2016 I can see that Mr P had already taken out two loans with NatWest in the months leading up to it – £5,000 in March and £7,500 in May. And although I haven’t seen a copy of Mr P credit file at the time Mr P’s bank statements show a number of payments going out to service borrowing in the*

*form of credit cards and loans with other providers. Yet this information doesn't appear to be considered when assessing the affordability of Mr P's overdraft application.*

*Mr P's overdraft application data shows that he had an income declared of £1,500, existing loan and credit card payments with it of around £360, living costs worked out as £546 leaving a affordability of £591. But there is no figure in the affordability assessment for rent or mortgage costs or other external lending.*

*I can also see Mr P's bank statements show in the month before the overdraft was granted gambling transactions amounting to £500. So based on this information I'm not persuaded further lending of £1,250 was affordable for Mr P and that NatWest's checks went far enough.*

*Indeed, Mr P's statements show within a month of being provided with his overdraft he hit the top of his limit and wasn't able to see or maintain a credit balance again for more than a few days after his salary was paid in.*

*If NatWest had carried out the appropriate checks and properly considered the amount of debt Mr P had and the amount of credit already available to him, I think it is likely that NatWest would've realised Mr P's income wasn't enough to service the borrowing he already had and that he would have difficulty repaying further lending.*

*So I currently don't think NatWest's checks went far enough when it approved Mr P for an overdraft limit of £1,250 and I think NatWest acted unfairly when it charged overdraft interest and associated fees from October 2016. NatWest ought to have realised that it was unlikely Mr P would have been able to sustainably repay the overdraft within a reasonable period of time given the amount of debt and credit he already had available to him.*

*So I currently think that NatWest didn't treat Mr P fairly and he lost out because of what NatWest did wrong."*

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

In my provisional decision I said that NatWest should put things right by reworking Mr P's overdraft balance so that all interest, fees and charges applied to it from October 2016 are removed. If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr P to arrange a suitable repayment plan for this.

NatWest have told us that Mr P's account was defaulted in October 2020 and it wrote off the outstanding balance of £1,012.09. NatWest say that overdraft interest, fees and charges applied to the overdraft from October 2016 amount to £288 and that this amount will be used to reduce the outstanding write off balance.

Mr P says the refund should come to him directly as the overdraft was part of an Individual Voluntary Agreement ("IVA") which has since been paid off and fully completed. It has been explained to Mr P that when he was in the IVA he only paid a percentage of the outstanding debt and that he wouldn't have paid the full amount of the outstanding overdraft debt with NatWest off.

As the IVA has come to an end NatWest can no longer pursue Mr P for the outstanding debt, but NatWest can use the refund to reduce this and cover its loss – which I think is fair and reasonable in the circumstances.

**My final decision**

For the reasons I've explained I uphold Mr P's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 October 2023.

Caroline Davies  
**Ombudsman**