

## **The complaint**

Mr L has complained that National Westminster Bank Plc (“NatWest”) acted irresponsibly by providing him with an overdraft he couldn’t afford.

## **What happened**

Mr L held an account with NatWest and applied and was approved for an overdraft with a limit of £1,250 in February 2020. This limit was reduced to £1,200 in March 2021.

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

One of our adjudicators looked into Mr L’s complaint and thought that the initial overdraft lending was reasonable based on the information NatWest had and that there wasn’t anything in the credit check carried out which should have led NatWest to question what Mr L had said his income and expenditure and thought that NatWest’s checks went far enough.

Mr L disagreed, he says NatWest shouldn’t have lent to him as no income was going into the account which was part of NatWest’s lending criteria and has asked for an ombudsman’s decision.

Mr L has a number of credit products held with NatWest which he has raised complaints about. The decision below only covers Mr L’s overdraft facility with NatWest – all other complaints are being dealt with separately.

I issued my provisional decision on 31 August 2023. In my provisional decision, I explained why I was proposing to uphold Mr L’s complaint. I invited both parties to let me have any further submissions before I reached a final decision and neither NatWest or Mr L have added 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 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 L 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 NatWest has itself said it has been unable to supply the specific affordability assessment details for Mr L’s overdraft application, so I can’t say on what basis it approved Mr L’s overdraft.*

*But I have seen some data from the credit file supplied which shows that at the time Mr L applied for his overdraft with NatWest he already had a total revolving credit limit of £9,185 and unsecured lending of £2,354 and that Mr L had declared monthly income of £1,800 but this couldn't be checked from Mr L's statements as his salary wasn't being paid into his NatWest account. Based on this information I'm not persuaded further lending of £1,250 was affordable for Mr L and that NatWest's checks went far enough.*

*Indeed, Mr L's statements show within two months of being provided with his overdraft he hit the top of his limit and didn't see or maintain a credit balance again.*

*If NatWest had carried out the appropriate checks and properly considered the amount of unsecured debt Mr L had and the amount of credit already available to him, I think it is likely that NatWest would've realised Mr L'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 L for an overdraft and I think NatWest acted unfairly when it charged overdraft interest and associated fees from February 2020. NatWest ought to have realised that it was unlikely Mr L 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 L fairly and he lost out because of what NatWest did wrong."*

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 Mr L's complaint for NatWest to put things right by:

- Reworking Mr L's current overdraft balance so that all interest, fees and charges applied to it from February 2020 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr L to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr L's credit file, it should backdate this to February 2020.

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 Mr L 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 Mr L's credit file.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr L 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 Mr L's complaint and direct National Westminster Bank Plc to pay the fair compensation as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 26 October 2023.

Caroline Davies  
**Ombudsman**