

## **Complaint**

Mrs C says that Nationwide Building Society (“Nationwide”) unfairly gave her an overdraft which it then increased and which led to her constantly being overdrawn.

## **Background**

Mrs C also complained about the decision to provide her with a credit card. But we’ve already looked at that complaint separately. And this decision is only solely considering whether Nationwide acted fairly and reasonably to Mrs C in relation to her overdraft.

Mrs C applied for a current account with Nationwide in March 2018 and was given an overdraft with a credit limit of £2,500.00. In August 2018, Mrs C successfully applied for an overdraft limit increase to £3,000.00.

Mrs C complained about her overdraft in April 2023. Nationwide didn’t think it had done anything wrong when initially provided the overdraft or the subsequent limit increase. However, it agreed to refund all of the interest it added to the overdraft from June 2022 onwards as a gesture of goodwill. Mrs C remained dissatisfied and referred her complaint to our service.

One of our investigators looked into Mrs C’s concerns. He thought that Nationwide hadn’t done anything wrong when providing Mrs C’s overdraft or increasing her limit. He also thought that its offer to refund all of the interest and charges added from June 2022 onwards was fair and reasonable in the circumstances.

Mrs C disagreed. 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.

Having carefully considered everything provided, I’ve decided not to uphold Mrs C’s complaint. I’ll explain why I’ve done so in a little more detail.

I’ve started by considering Nationwide’s initial decision to provide Mrs C with an overdraft and increase the limit on it.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Mrs C’s complaint.

Nationwide needed to make sure it didn’t lend irresponsibly. In practice, what this means is Nationwide needed to carry out proportionate checks to be able to understand whether Mrs C could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less

thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Nationwide says it agreed to provide Mrs C with an overdraft and then increase the limit on it after it carried out credit searches and obtained information about her income. The information obtained suggested that Mrs C had some existing debts but these were well managed and reasonable in comparison to what her income was at the respective times. In Nationwide's view, the information obtained indicated that Mrs C would be able to repay her overdraft and the subsequent limit increase.

On the other hand Mrs C says that the her overdraft shouldn't have been provided nor should her limit have been increased.

I've considered what the parties have said.

What's important to note is that Mrs C was provided with a revolving credit facility rather than a loan. And this means that Nationwide was required to understand whether credit limits of £2,500.00 and then £3,000.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that the credit limits weren't low but crucially they didn't require huge monthly payments in order to clear the full amount owed within a reasonable period of time.

Nationwide's credit check did indicate that Mrs C did have some debts. But it's fair to say that these were being well managed. Indeed the information Nationwide relied on suggests that Mrs C had total unsecured debts of around £23,000.00 and this wasn't unreasonable compared to Mrs C's income at the time. Furthermore, by the time that Mrs C's limit was increased it could actually see what her income was and it had also increased between the period of the overdraft initially being provided and August 2018.

Given the amount required to clear the balance within a reasonable period of time, Mrs C's existing debts and the total amount of funds she was in receipt of, I don't think that Nationwide needed to do more here. For the sake of completeness, even if I were to agree that more needed to be done, at the absolute most it could be argued that Nationwide needed to obtain more on Mrs C's actual living costs, rather than rely on an estimate of this. But I don't think that Nationwide would have made a different decision even if it had asked Mrs C for more information.

I say this because I've not seen anything that clearly shows me that when Mrs C's committed non-discretionary regular living expenses and existing credit commitments were deducted from what she received, she did not have the funds to repay the initial overdraft limit or the increased one within a reasonable period of time. So, in these circumstances, it's difficult for me to conclude that Nationwide wouldn't have lent even if it had tried to find out more about her circumstances at the respective times.

I accept that the information I've been provided with may not fully show the extent of Mrs C's position. And it's fair to say that her employment circumstances did change drastically in 2021. I'm sorry to hear that Mrs C has gone through a difficult time. But it wouldn't be fair and reasonable for me to use hindsight here, or say that Nationwide should have known this would happen.

I can only judge Nationwide's actions against what it knew or ought to have known at the time it decided to provide this overdraft and limit increase. This is especially as the available information indicates proportionate checks were carried out and even if more had been done this would not have prevented Nationwide from offering this facility or increase the limit to begin with.

As this is the case, I'm satisfied that Nationwide didn't act unfairly or unreasonably when initially deciding to provide Mrs C with an overdraft, or increasing her limit to £3,000.00 in March 2018 and August 2018.

That said, while Nationwide might not have acted unfairly when it initially decided to provide Mrs C with an overdraft and increase the limit, Nationwide has nonetheless refunded Mrs C's charges from June 2022 onwards. Mrs C is unhappy with this and feels that the refund does not go far enough.

I've therefore considered whether Nationwide ought to have stepped in earlier than June 2022 (the period it has refunded charges from) and taken corrective measures on the overdraft as it knew Mrs C was in financial difficulty or it ought to have realised this was the case. I've looked through Mrs C's account statements throughout the period concerned. And I don't think that Nationwide ought to have taken corrective measures in relation to Mrs C's overdraft earlier than June 2022.

It's fair to say that Mrs C used her overdraft. And she might say this in itself was an indication Nationwide ought to have taken action. But I also think it's important to look at Mrs C's incomings and outgoings as well as any overdrawn balance and whether it was possible for her to have stopped using her overdraft, based on this. After all if she was locked into paying charges because there was no prospect of her exiting her overdraft then her facility would have been unsustainable for her.

However, while I'm not seeking to make retrospective value judgements over Mrs C expenditure, nonetheless there are significant amounts of non-committed, non-contractual and discretionary transactions as well as transfers going from Mrs C's account. Indeed, it's fair to say a significant proportion of Mrs C's expenditure was discretionary and the credits going into her account for a significant period suggested she could have cleared her overdraft within a reasonable period of time had she wished to do so.

I've also considered that Mrs C had a significant surplus balance for most of 2021 too, which was after the period she was made redundant. So it's difficult for me to say that Nationwide should have gone as far as unilaterally terminating Mrs C's overdraft before the period it has refunded charges from. I accept neither of these things in themselves (or taken together) mean that Mrs C wasn't experiencing difficulty. But there isn't enough here for me to say that Nationwide should have taken unilateral corrective action.

So overall and having considered everything, I don't think that it was unreasonable for Nationwide to have proceeded with adding the charges that it did and which it hasn't refunded. In my view, bearing in mind the implications, taking unilateral corrective action in these circumstances would have been disproportionate. So I don't think Nationwide charged Mrs C in circumstances where it ought to have realised that it was unfair to do so. And as this is the case, I'm satisfied that what it has already done to refund the charges added from June 2022 onwards is fair and reasonable.

Overall and having considered everything, I don't think that Nationwide acted unfairly or unreasonably when providing Mrs C with her overdraft or increasing her limit. And I'm satisfied that what it has already to Mrs C is fair and reasonable in all the circumstances of her complaint.

As this is the case, I'm satisfied that Nationwide hasn't treated Mrs C unfairly or unreasonably and I'm not upholding her complaint. I appreciate this will be very disappointing for Mrs C. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

Although I'm not upholding this complaint, I'd like Nationwide of its obligation to exercise forbearance and due consideration in relation to the outstanding balance on Mrs C's account and it be the case that she is experiencing financial difficulty.

### **My final decision**

For the reasons I've explained, I'm not upholding Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 11 March 2024.

Jeshen Narayanan  
**Ombudsman**