

## **The complaint**

Mr S complains about the amount of charges National Westminster Bank Plc (NatWest) has applied to his account.

## **What happened**

In November 2016 Mr S opened a Select Platinum account with NatWest, with an arranged £3,000 overdraft. Mr S said that from April 2017 he no longer had a regular income being paid into the account. He said NatWest continued to apply interest and charges to the account even after he'd stopped using it. And despite his best efforts with the use of his savings he said the outstanding amount continued to rise because of the interest and charges applied by NatWest. He said NatWest closed his account without his permission giving him six months to clear the outstanding balance. Mr S said despite paying over £2,000 that NatWest said he owed, they were now asking him to pay over £1,000 more. Mr S complained to NatWest about the interest and charges made to his account and asked for any outstanding balances to be waived.

NatWest said they'd applied the interest and charges in line with the terms and conditions of the account. They said they understood Mr S was struggling financially and so they'd stopped any interest and charges being applied to the account from October 2021. And were looking to assist Mr S in clearing the remaining balance.

Mr S wasn't happy with NatWest's response and referred his complaint to us.

Our investigator said NatWest had acted fairly and in line with their terms and conditions.

Mr S disagreed he said in the months prior to the account being closed there'd been little to no activity on the account but NatWest had continued to apply interest and charges. He asked for an ombudsman to decide.

## **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.

I know this will disappoint Mr S but having done so I'm not upholding this complaint. I'll explain why.

Mr S has said within his complaint that the interest and charges applied by NatWest were exorbitant. So firstly, it should be noted that following a Supreme Court case in 2009 charges for unauthorised or unarranged overdrafts aren't unfair. The court ruled that the overdraft charges didn't generally amount to "penalties"; and that they can't be challenged on the grounds they're too high. But from August 2017 banks should set a monthly maximum charge covering all unarranged overdraft charges.

The relevant terms Mr S would have agreed to on opening his Select Platinum account in

2016 were:

*"A monthly account fee is payable from your Select Platinum Account...."*

*"...if the overdraft facility you have agreed with us is less than or equal to the thresholds shown above and you exceed your arranged overdraft facility, you will pay arranged overdraft interest at the rates shown below on the entire arranged overdraft facility."*

*"An Arranged Overdraft Usage Fee will be charged if you use your arranged overdraft by more than your interest free threshold in any charging period."*

The terms also provided details of the thresholds, fees and when they would be charged to the account. For Mr S' account the monthly fee was £16, the overdraft usage fee was £6. The arranged overdraft threshold was £250, with a nominal monthly interest rate of 1.52%. This meant Mr S would be charged £16 a month for the benefits package associated with his account, £6 for using his overdraft in any month, and when he exceeded the overdraft threshold of £250, he would be charged interest. And the terms also explain that these charges will be applied 21 days after the charging period.

So, I think NatWest terms were clear about the fees and interest that would be applied to Mr S' account, and when these amounts would be taken from his account.

I can see from subsequent terms and conditions that NatWest sent to Mr S' that the monthly fee increased from £16 a month to £18 a month.

Mr S said that he didn't have a regular income after April 2017. And complains about the charges and interest applied after this. I can see Mr S was using his overdraft from June 2017, and that he exceeded the threshold of £250 towards the end of that month. So, overdraft interest and usage fees would have accrued as well as the monthly fee.

Mr S has said he no longer had an income into the account, but I can see that he continued to transact and regularly paid in money to the account. I understand from Mr S that this was from savings, but Mr S took steps to reduce his overdraft, and there were months when there wasn't any interest or usage fee applicable. And while he continued to make transactions from the account, he remained within his arranged overdraft limit until September 2021.

I can see from Mr S' transactions that his last transaction was made 03 September 2021, and at this point he'd an overdraft balance of £2,910.04. After NatWest added the interest and monthly fee for the charging period August 2021 and September 2021, this brought Mr S' overdraft balance to £3,113.76, which took him into an unarranged overdraft and triggered NatWest to take action to discuss the account with Mr S.

From NatWest's records I can see that throughout September 2021 they tried various methods to contact Mr S to discuss his account but without success. And that they took the action to freeze any further interest being applied to it. So, after 15 October 2021, no further interest or monthly fees were applied. I can also see that NatWest hadn't applied the £6 overdraft usage fee since April 2020.

NatWest continued throughout October, November and December 2021 to try to discuss the account with Mr S' but without success. And so, they took action to cancel Mr S' debit card and they defaulted the account, which is now with a third party for recovery action.

An overdraft is repayable on demand. This means the bank can, at any time ask their customer to repay the full overdraft balance. And I can see that the terms and conditions

make this clear as well as that NatWest can limit the use of the account such as cancelling the debit card if they think there is difficulty in meeting commitments. And that they can close an account provided they give 60 days' notice. So, I can't say NatWest has acted unfairly.

Mr S responded in December 2021 requesting the interest and charges be frozen, which action had already been taken by NatWest.

Mr S has provided some bank statements he says shows a discrepancy in what NatWest has charged him. Mr S has provided 13 pages from a total of 297 for his account transactions for the period 26 March 2014 to 26 March 2021. And a couple of summary pages. One page is a summary of the period 25 September 2021 to 25 October 2021, showing a previous balance £3,006.18, with an addition of £107.58 for the period leaving an overdraft balance of £3,113.76. Mr S has also provided details for the period 25 September 2020 to 24 September 2021, which showed monthly fees charges were a total of £188.12 and the monthly overdraft interest was in total £599.79. The remaining pages are bank statements showing transactions from November 2019 up to March 2021.

From the records I've seen the summary pages provided by Mr S tally with the overdraft interest and monthly fees broken down by NatWest for the periods shown. The £107.58 comprised, the monthly fee of £18 and overdraft interest of £89.58. And these charges were applied 21 days after the charging period.

Mr S has since paid £2,006.77 into his account, which would have been around his overdraft balance in January 2021. But Mr S had continued to make further transactions on the account up till September 2021, and the account had continued to accrue interest charges and the monthly fee so after paying this amount it still left an overdraft outstanding of £1,106.99. Mr S said NatWest should have seen he was struggling financially. I haven't seen any evidence that Mr S told NatWest of his struggles prior to December 2021. And I think Nat West did take prompt action when in September 2021 they saw Mr S' account had fallen into an unarranged overdraft balance and tried to discuss his situation with him.

I appreciate my decision will disappoint Mr S, but I'm satisfied the terms and conditions set out that in certain circumstances charges will be applied when, as in this case, an overdraft is used, and the account is overdrawn above threshold limits. I don't think in this case NatWest made a mistake by applying interest and fees. I appreciate those charges may have made Mr S' financial position worse but I don't think NatWest acted unfairly. And they took action to limit the financial impact when Mr S exceeded his arranged overdraft limit by freezing interest and charges, which I would have expected them to do.

I understand that the recovery of the outstanding balance has been passed to a third party. When dealing with customers in default or in arrears difficulties a firm should pay due regard to its obligations under Principle 6 (Customers' interests) to treat its customers fairly. So I'd expect Mr S to be treated with forbearance and due consideration when resolving the remaining balance.

**My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 16 March 2024.

Anne Scarr  
**Ombudsman**