

The complaint

Mr M complained that National Westminster Bank Plc (“NatWest”) irresponsibly granted him an overdraft, with the limit then increasing over time, that he couldn’t afford to repay.

What happened

Mr M has had an overdraft arrangement on his current account since 2015. The limit has changed a number of times as follows:

- £500 -1 December 2015.
- £750 - 1 November 2016.
- £1,000 -14 November 2016.
- £2,000 - 5 December 2016.
- £2,500 - 16 January 2017.
- £3,000 -10 March 2017.
- £100 - 9 May 2017.
- £500 - 10 November 2017.
- £1,000 - 8 August 2018.
- £2,000 – 3 March 2020

Mr M thinks that NatWest didn’t carry out the appropriate checks before granting the overdraft, and then increasing the limit, and that it shouldn’t have granted the overdraft. He said that his balance had remained at the upper limit of the overdraft for a prolonged period, and he has incurred significant interest charges of interest as a result. He also said that had NatWest been properly monitoring his account; it would have been clear that he was relying on the overdraft facility to pay his essential outgoings.

Mr M wants NatWest to refund all interest and charges on the overdraft, with statutory interest added. He also wants NatWest to make an additional payment for distress and inconvenience and to remove any adverse information from his credit record.

He complained about all this to NatWest. But NatWest said it wasn’t upholding his complaint. In its final response letter it said that it had carried out thorough checks each time the overdraft limit changed, and it had contacted Mr M on five occasions to invite him to discuss the options available to him with regard to the overdraft. It also said all charges and interest had been applied in line with its terms and conditions.

Mr M then brought his complaint to this service. Our investigator looked into it, but didn’t think the complaint should be upheld. Mr M didn’t agree, and asked for his complaint to be reviewed by an ombudsman.

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.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website, and I've taken this into account here.

I've decided not to uphold Mr M's complaint. I'll explain why.

In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks required of a lender, but it needs to ensure the checks are proportionate when considering matters such as the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances. So I've considered whether NatWest completed reasonable and proportionate checks to satisfy itself that Mr M would be able to manage the overdraft in a sustainable way.

NatWest sent in copies of Mr M's current account statements, along with computer records of his account and this complaint, and information about its credit checks. We asked Mr M for a copy of his credit file, but he was unable to provide this.

NatWest said that, in assessing the overdraft requests, it took account of the information Mr M provided, information from credit reference agency records and the Office of National Statistics (ONS) and credit scoring. It also looked at how Mr M's NatWest accounts were managed, and it said it verified the income he stated against his bank statements.

I've looked at Mr M's bank statements and the information that NatWest said it used in its assessments. As there were a number of changes to the overdraft limit, I haven't set out in this decision the individual figures for each assessment, but I've reviewed them all and in each case I can see that the amounts NatWest took into account for Mr M's income, his mortgage payments and his other credit commitments are consistent with what's on the statements. It looks as though NatWest used ONS data to estimate Mr M's living expenses, which is common practice. There was no adverse information on Mr M's credit record, and I can see no payday loans recorded. In each case, Mr M was left with a good level of disposable income after taking account of his outgoings and living expenses.

Mr M's bank statements show that he was receiving a regular income, although the amounts differed – but this is consistent with the nature of his job. Many of the transactions on the statements are not easily identifiable, as no payee is shown, so it's not clear how many relate to discretionary spending. However, as I explained above, I can see the payments relating to his credit commitments, as well as living expenses such as council tax and water bills, so I have no reason to think that his disposable income differed substantially from that calculated by NatWest at each overdraft limit change.

From all this, I'm satisfied that NatWest carried out reasonable and proportionate checks before granting each overdraft limit increase. It had access to his bank statements, and considered how he was managing his accounts as well as carrying out its other checks.

I don't think there was anything from those checks that ought reasonably have prompted more detailed enquiries, or to suggest that the overdraft wouldn't be affordable and sustainable for Mr M.

I can't see anything on the bank statements that would suggest Mr M was in financial difficulty. The payments on his credit commitments were made on time, and there were no

unpaid direct debits. The statements also show that Mr M didn't always utilise his full overdraft limit, and the account often returned to credit after his salary was paid in. I can also see regular periods when Mr M's account remained in credit. So I don't consider Mr M was in persistent debt.

I note the overdraft limit was reduced from £3,000 to £100 in May 2017. Mr M said he received an inheritance of £10,000 at the time (although I should say that there is no corresponding credit on the bank statements), but due to the increase in the cost of living, he then relied on an increasing overdraft to pay day-to-day living costs. I've thought about this, but Mr M's account was regularly back in credit, so I've no reason to think he was reliant on the overdraft.

Taking all this into account, I've concluded that NatWest did not act unfairly in granting the initial overdraft or in increasing the limit on the occasions set out above.

Mr M has also said he is unhappy about the charges incurred in relation to the overdraft. Having looked at the statements I can't see anything to suggest that the charges were applied unfairly or other than in line with its stated charging structure.

I also note that NatWest said it wrote to Mr M on five occasions, inviting him to make contact about the options available regarding his overdraft, but there is no record of him having done so. In this case, as I don't think there were indications that Mr M was in financial difficulty, I can't fairly say that NatWest should've done more.

I understand that Mr M is now struggling financially. Therefore I would encourage him to contact NatWest, as it outlined in its final response letter to him, if he has not done so already - businesses are required to treat customers in arrears difficulties with forbearance and due consideration.

However, for the reasons I've explained above, I don't consider NatWest acted unfairly in granting the overdraft or in increasing the limit. Nor do I consider it has acted unfairly in allowing the overdraft to remain in place, or in applying its charges. So I don't uphold Mr M's complaint.

My final decision

For the reasons set out above, I have decided not to uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 June 2024.

Jan Ferrari
Ombudsman