

The complaint

O, a limited company, complains National Westminster Bank Plc unfairly declined its application for an overdraft.

O is represented by Mr H, a director. I will refer to both O and Mr H in my decision.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

O had a business overdraft with NatWest which due to expire in October 2022. Mr H contacted NatWest regarding the renewal process in September 2022. Over the following months NatWest requested various pieces of information from O in order to complete its review of the overdraft facility. The issues that occurred during this period are subject to a different complaint which this service has considered so I will not be considering them in detail here.

NatWest had all the information it needed to assess the renewal of O's overdraft by late 2023. Based on the business activities and accounts for O, NatWest explained to Mr H that it would not be renewing its overdraft facility. Mr H raised a complaint regarding the decision made by NatWest. He explained the decision was unfair in light of the poor service O had received. In particular Mr H said the inactivity on O's account was due to errors by NatWest. Mr H asked NatWest to reconsider its decision and to renew the overdraft as a goodwill gesture.

NatWest reviewed Mr H's concerns and in its final response letter dated 23 October 2023 it explained that it had made a commercial decision regarding the lending, based on the information it had about O. NatWest explained the issues O faced due to errors by NatWest had not affected its decision.

Mr H remained unhappy and referred his complaint to our service. An Investigator reviewed Mr H's concerns, and in summary, found the following:

- NatWest was entitled to make a commercial decision regarding the overdraft based on the financial information it had access to.
- The previous problems with NatWest, including the delays, didn't impact the lending decision.

Mr H remained unhappy and asked for O's 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.

Although this complaint is regarding O, I can see it has caused Mr H, a director of O, a great deal of stress and worry. Although I may not comment on each and every point he's raised,

this doesn't mean I have not read and considered everything he's provided. Instead I have focussed on what I consider to be the key points. This is not intended as a discourtesy – it simply reflects the informal nature of this service.

Some of Mr H's comments concern the general conduct of NatWest in relation to small businesses. I should also explain that this service doesn't supervise, regulate, or discipline the Businesses that we cover. My role is not to punish or fine business for the way in which they conduct their business – that's the role of the regulator – the Financial Conduct Authority.

Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

I must highlight this complaint is focusing on NatWest's decision not to renew O's overdraft. Mr H has raised multiple complaints against NatWest, and I can see he has received a final decision on a separate complaint which concerned the service O received and the restriction of its account. I won't be covering these issues again under the complaint. Further, if Mr H has remaining points which he feels NatWest need to address, these would need to be raised with NatWest in the first instance.

An overdraft facility is granted at the discretion of banks such as NatWest. There are multiple factors it must consider when making a decision to offer an arranged overdraft. These include its commercial considerations, alongside its legal and regulatory obligations which require it to lend responsibly. The terms of O's account also explain that the overdraft is provided at NatWest's discretion.

I've thought about whether NatWest's decision not to renew was fair, based on the available information about O. In order to reach a decision about renewal NatWest asked Mr H for detailed information. This included an income and expenditure assessment, financial projections and annual accounts. NatWest also considered the overdraft usage and statements for the business account. Although there were various issues with the information gathering process, I'm satisfied NatWest collated an appropriate amount of evidence before making its lending decision.

Once NatWest had the necessary information, it reviewed the viability of renewing O's overdraft based on its trading information. NatWest has its own internal lending criteria and framework, which it will use to make a decision, alongside its lending regulatory obligations. These obligations include ensuring any lending is sustainable.

Mr H says O had been hugely impacted by the restrictions NatWest had placed on the account. I've considered the timeline of events, and I can see O was impacted by NatWest's decision to limit activity on the account. But the key issue here is NatWest's overall lending decision, and I can't see that the service issues and delays Mr H experienced impacted NatWest's ultimate decision.

Based on the financial information I've seen O relied heavily on its overdraft, and it also had a bounce back loan. The accounts show O's operating profits to be low in comparison to its financial commitments, which include the loan and overdraft. In light of this NatWest's decision not to renew the overdraft seems reasonable as it wasn't clear how O would sustainably service the borrowing it had.

Mr H says that O's financial situation would've improved once NatWest had corrected its mistakes and the account was fully operational again. I appreciate Mr H's comments, and I don't doubt he was optimistic about O's future trading. However, NatWest's lending decision

would've taken into account a number of factors, and the historical financial information didn't support Mr H's comments about future trading and the operation of O.

In its response to Mr H's complaint NatWest explained that O could appeal its decision not to renew. It also acknowledged the poor service O had received and paid O £100 for the inconvenience caused. O has also been awarded compensation under separate complaints regarding the service and communication failings on NatWest's part. I appreciate Mr H has been impacted by the renewal process, but as the complaint is about O my focus is on the impact on the business.

I appreciate this process has been a frustrating process for Mr H and I am sorry to see O is now in the liquidation process. I know my decision will be disappointing. But I hope my explanation provides Mr H with some clarity, and he understands that his concerns have been carefully considered.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 5 December 2024.

Chandni Green
Ombudsman