

## **Complaint**

Mrs B has complained about matters relating to a credit card which National Westminster Bank Plc ("NatWest") provided to her. She says that her credit limit shouldn't have been increased and she's also unhappy with the options she was offered when she was classified as being in persistent debt in March 2020.

## **Background**

In March 2020, NatWest wrote to Mrs B informing her that she was now in persistent debt on her credit card and provided her with a number of options on paydown plans. Mrs B complained, in response to this, saying that none of the proposed plans were suitable for her. Subsequent to this Mrs B also complained that her credit limit shouldn't have been increased in the way that it was.

I understand that NatWest increased the credit limit on Mrs B's credit card to £13,000.00 in October 2015 and then £14,300.00 in October 2016.

One of our investigators reviewed what Mrs B and NatWest had told us. And he thought NatWest hadn't done anything wrong or treated Mrs B unfairly in relation to providing the credit limit increases, or in how it dealt with Mrs B being in persistent debt. So he didn't recommend that Mrs B's complaint be upheld.

Mrs B disagreed and asked for an ombudsman to look at her complaint.

## **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, I've not been persuaded to uphold Mrs B's complaint. I'd like to explain why in a little more detail.

### *Decisions to increase Mrs B's credit limit*

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 B's complaint.

NatWest needed to make sure it didn't lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Mrs B 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.

NatWest hasn't really been able to provide much on what it found out before deciding to increase her credit limit in October 2015 and October 2016. However, given how long ago the decisions to increase the credit limit took place, I don't think that this is unreasonable. Nonetheless, it is satisfied that the processes it had in place would have satisfied it that Mrs B could afford to repay this credit card. On the other hand, Mrs B has said that her credit limit shouldn't have been increased to such an amount.

I've considered what the parties have said.

What's important to note is that Mrs B was provided with a revolving credit facility and this means that NatWest was required to understand whether credit limits of £13,000.00 and £14,200.00 could be repaid within a reasonable period of time. Clearly credit limits of £13,000.00 and £14,200.00 weren't low.

Nonetheless, I'm mindful that a reasonable period of time, for credit limits of such amounts, would likely to equate to the term for equivalent loan amounts. In these circumstances, I would have expected NatWest to have found out about Mrs B's income and expenditure (particularly about her existing credit commitments and regular living expenses) before providing these credit limit increases.

As NatWest has been unable to evidence having done this, or has even made an argument that it tried to do as much as this, I'm not prepared to accept that the checks it carried out before it increased Mrs B's credit limit to £13,000.00 in October 2015, or £14,200.00 in October 2016, were reasonable and proportionate.

Ordinarily, where a firm failed to carry out reasonable and proportionate checks before providing credit or increasing the amount available to a customer, I'd usually go on to recreate reasonable and proportionate checks in order to get an indication of what such checks would more likely than not have shown.

However, Mrs B says she is unable to provide us with all of the information we've asked her for in order to be able to assess what her circumstances were like at the time she was provided with these limit increases. So I've not been provided with sufficient evidence to reasonably conclude that the limit increases were as a matter of fact unaffordable for Mrs B.

I appreciate that Mrs B may believe it is unfair to expect her to provide information which she doesn't have. But I also have to take into account that NatWest isn't required to have all of the information either and as Mrs B's complaint was made in time, I have to decide the complaint on what I have before me.

Equally, it is only fair and reasonable for me to uphold a complaint in circumstances where I can see that any additional credit provided was unaffordable. And I'm afraid that I've not been provided with sufficient evidence that shows me she would not have been able to make the increased monthly payments required should she owe the full amount of the new credit limits.

Furthermore, having considered Mrs B's 2015 credit card statements it appears as though Mrs B's repayment record suggested that she could repay what she might have to repay in a reasonable period of time. I say this because while it is fair to say that Mrs B did exceed her credit limit for a couple of months or so and incurred a couple of late payments and this

might have been a prompt for NatWest to consider stepping in, Mrs B went on to make payments which totalled £10,856.35 in June 2015.

This not only immediately cleared Mrs B's balance, but I think that NatWest was reasonably entitled to see this payment as an indication that Mrs B was likely to be in possession of the funds to clear an increased balance within a reasonable period of time. Particularly as such payments would be considerably lower than the amount of the payments that she made in June 2015. I've also noted that Mrs B's statements don't show her going on to immediately max out the facility either. Indeed as far as I can see she hadn't used the extra £3,000.00 she was granted in October 2015 when she was offered the limit increase in October 2016.

So overall and having carefully considered everything and while I appreciate that this will disappoint Mrs B, I've not been persuaded that proportionate checks would have shown that NatWest that it shouldn't have provided these credit limit increases to Mrs B. Furthermore, I don't think that Mrs B's pattern of borrowing meant that NatWest offered the credit limit increases in circumstances where it ought reasonably to have realised that they may have been unsustainable or otherwise harmful for her either.

#### *Mrs B concerns regarding what happened once she fell into persistent debt*

There is no dispute that Mrs B received a letter from NatWest dated 3 March 2020 informing her that her account was in persistent debt and that her balance wasn't reducing fast enough and that there was a danger of her being in persistent debt for a very long time. It's also fair to say that she'd previously been written to informing her that she was at risk of being in persistent debt too.

As this was what would be known as a PD 36 letter – one sent when a customer had been in persistent debt for 36 months Mrs B was told that she now needed to take action. Mrs B was given two options. She was firstly given the option of repaying her balance in full within the following six months and this would result in her being able to keep her card.

Alternatively, Mrs B was offered four options of repaying her balance over terms of 12 months, 24 months, 36 months or 48 months. However, if any of these plans was chosen it was likely that Mrs B's account would be closed. Mrs B's account was closed but she has already had a complaint looked into about her account being closed and this decision will not be revisiting that matter.

In a letter dated 17 March 2020, Mrs B wrote to NatWest expressing dissatisfaction at the amount of interest she would be charged on these paydown plans. She compared the terms of the paydown plans (and in particular the interest rate) to the 0% credit balance transfer offers she had seen marketing materials for and debt consolidation loans that were offered on NatWest's website.

I appreciate that Mrs B was unhappy with the 'help' that was offered to paydown her persistent debt balance. I also note that Mrs B's argument that this letter was a request for help to repay her balance. But having reviewed the content of the letter in full, while I'm satisfied that it was an expression of dissatisfaction of the plans that had been offered and how they were less favourable than the alternatives she cited, I'm not persuaded that there was anything in the content of this letter indicating that Mrs B couldn't afford any of the plans offered, or that she wasn't in a position to repay her balance.

I think that NatWest was especially entitled to regard that this was the case, bearing in mind Mrs B had previously complained about the interest rate on her credit card without saying that she couldn't make her repayments, she was in financial difficulty, or that she needed assistance. Equally there are many situations where a customer will be unhappy at the

amount they are being asked to pay and it won't necessarily follow this is because they cannot pay that amount.

Furthermore, while I note what Mrs B has said about the Covid situation and the regulator's guidance, this was in relation to customers whose situation was affected by the pandemic in a way that they were unlikely to make their credit card payments at all. There was specific guidance in relation to temporary payment holidays to be granted in these circumstances – but it should be noted that credit card providers were entitled to charge interest during this period.

For the sake of completeness, I would also add that while the persistent debt guidance required firms to offer repayment plans of between 12 – 48 months in cases where a customer had a balance that fell into persistent debt, there was no requirement to offer plans at a particular interest rate. So while Mrs B may be unhappy with the terms that she was offered, NatWest didn't need to offer a payment plan on better terms and certainly not on terms that mirrored the alternative products Mrs B has referred to.

NatWest would have had a regulatory obligation to exercise forbearance and due consideration, in the event that Mrs B had said she couldn't afford to pay her credit card, or if she said, or it knew that she was experiencing financial difficulty. But I can't see that any of those factors applied here. In any event, any measures taken in these circumstances would have been reported to credit reference agencies and would more likely than not had an adverse impact on her credit score. And Mrs B has been clear that she did not want this to happen.

I accept and appreciate that Mrs B did not receive NatWest's response to her March 2020 complaint, as it was sent to an incorrect email address. It is unfortunate that this happened and this might have led Mrs B to explore other options for repaying her balance. However, this matter has already been dealt with separately and at this stage, I'm only looking at NatWest's action in relation to the payment plan, not its response to Mrs B's complaint.

I appreciate that Mrs B is unhappy at having to take alternative action to clear her balance. And she believes that this is down to NatWest's actions. However, as NatWest wasn't required to offer her a 0% interest method of repayment, or a lower interest rate on a loan to clear her balance, I can't reasonably say that NatWest did anything wrong in relation to this matter either.

In reaching my conclusions, I've also considered whether the lending relationship between NatWest and Mrs B might have been unfair to Mrs B under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I've not been persuaded that NatWest irresponsibly lent to Mrs B or otherwise treated her unfairly. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So overall and having considered everything, while I can understand Mrs B's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mrs B. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 4 November 2024.

Jeshen Narayanan  
**Ombudsman**