

Complaint

Mr W has complained about the overdraft charges National Westminster Bank Plc ("NatWest") applied to his account.

Mr W is being represented, by the ("representative"), in his complaint.

The representative has said the charges applied to Mr W's account were unfair as there was a failure to take account of his patterns of reliance on debt and hardcore borrowing. In the representative's view, there was no proper consideration of the longer-term impact of the borrowing on him.

Background

Mr W successfully applied for an overdraft with a limit of £100 on his current account in September 2006. The limit on the overdraft was increased to £500 in March 2017 and then £1,500.00 in September 2017.

In January 2024, Mr W complained saying that he was allowed to continue using the overdraft in a way that was unsustainable and which caused him continued financial difficulty.

NatWest did not uphold Mr W's complaint. It did not think that it had done anything wrong or treated Mr W unfairly in the period he had his overdraft. Mr W was dissatisfied at NatWest's response and referred his complaint to our service. When Mr W's complaint was referred to our service, NatWest told us that we couldn't consider parts of it as it was made too late.

One of our investigators reviewed what Mr W and NatWest had told us. She reached the conclusion that we could look at the entire period Mr W had his overdraft for but she wasn't persuaded that NatWest had acted unfairly by allowing Mr W to use his overdraft in a way that was unsustainable or otherwise harmful. So the investigator didn't recommend that Mr W's complaint be upheld.

The representative, on Mr W's behalf, disagreed with the investigator and asked for an ombudsman's 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.

Basis for my consideration of this complaint

There are time limits for referring a complaint to the Financial Ombudsman Service. NatWest has argued that part of Mr W's complaint was made too late because he complained more than six years after some of the charges on the overdraft were applied, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained Mr W's complaint was one alleging that the relationship between him and NatWest was unfair to him as described in s140A of the Consumer Credit Act 1974 ("CCA"). She also explained why this complaint about an allegedly unfair lending relationship had been made in time.

Having carefully considered everything, I've decided not to uphold Mr W's complaint. Given the reasons for this, I'm satisfied that whether Mr W's complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

I'm also in agreement with the investigator that Mr W's complaint should be considered more broadly than just the individual charges or lending decisions. I consider this to be the case as Mr W has not only complained about the circumstances behind the application of the individual charges, but also the fact NatWest's failure to act during the periods he alleges it ought to have seen he was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Mr W's complaint is one alleging that the lending relationship between himself and NatWest was unfair to him. I acknowledge the possibility that NatWest may still disagree that we are able to look at the whole of Mr W's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Mr W's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr W's complaint can be reasonably interpreted as being about that his lending relationship with NatWest was unfair to him, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (NatWest) and the debtor (Mr W), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Mr W's complaint, I therefore need to think about whether NatWest's allowing Mr W to use his overdraft in the way that it did, resulted in the lending relationship between Mr W and NatWest being unfair to Mr W, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Mr W's relationship with NatWest is therefore likely to be unfair if NatWest allowed Mr W to continue using his overdraft in circumstances where it ought reasonably to have realised that the facility had become unsustainable or otherwise harmful for him. And if this was the case, NatWest didn't then remove the unfairness this created somehow.

Did NatWest unfairly allow Mr W to continue using his overdraft in a way that was unsustainable or otherwise harmful for him?

Before I go any further, as this essentially boils down to a complaint that Mr W was unfairly charged as a result of being allowed to continue using his overdraft, I want to be clear in saying that I haven't considered whether the various amounts NatWest charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at NatWest's charging structure per se, it won't have acted fairly and reasonably towards Mr W if it applied this interest, fees and charges to Mr W's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr W was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where NatWest didn't treat Mr W fairly and reasonably.

In other words, I've considered whether there were periods where NatWest continued charging Mr W even though it ought to have instead stepped in and taken corrective measures on the overdraft as it knew, or it ought to have realised, that he was in financial difficulty.

Having looked through Mr W's account statements throughout the period concerned, I can't see that NatWest ought reasonably to have realised that Mr W was experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Mr W's overdraft. I'll explain why I think this is the case in a little more detail.

I accept that Mr W used his overdraft regularly. The representative's arguments appear to suggest that this in itself means that Mr W was experiencing financial difficulty and therefore the complaint should be upheld. It has referred to the fact that Mr W is complaining about the way he was allowed to use an overdraft on another complaint as evidence of Mr W's difficulty.

But I think that it is far too simplistic to say that it automatically follows that a customer was in financial difficulty simply because they were using a financial product that they were entitled to use. Furthermore, it's worth noting that NatWest will not have known about the way Mr W was using his overdraft with another bank either.

I accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, this is not the same as saying that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty.

So I think it's important to look at overall circumstances of a customer's overdraft usage as part of considering their overall financial position. And, in this case, I've considered Mr W's incomings and outgoings as well as any overdrawn balances and thought about whether it was possible for him to have stopped using his overdraft, based on this.

I think that if Mr W was locked into paying charges in circumstances where there was no reasonable prospect of him exiting his overdraft then his facility would have been unsustainable for him. So I've carefully considered whether this was the case. The first thing for me to say is that Mr W was in receipt of credits that were sufficient to clear the overdraft within a reasonable period of time.

Furthermore, I'm satisfied that Mr W's case isn't one where the borrower was permanently in their overdraft. Indeed, Mr W's overdraft limit was low at £1,500.00 and the available evidence is that that he always earned far in excess of this amount each month. It's also clear that there were always periods where Mr W was in credit. Although I do accept that there were plenty of times where Mr W would have met the criteria of someone who displayed a pattern of repeat use of their overdraft. For the avoidance of doubt, I accept that there is a section of CONC (CONC 5D) which relates to this.

However, even if NatWest didn't meet all of the requirements set out in CONC 5D, I wish to make it clear that I don't think that simply sending letters will mean that a lender met all of its obligations, I'd still need to consider whether Mr W lost out as a result of any potential failing. I've also therefore considered whether Mr W's use of his overdraft (and NatWest continuing to allow him to use it) was causing him to incur high cumulative charges that were harmful to him. And having considered matters, I'm satisfied that this isn't the case.

To explain, while I'm not seeking to make retrospective value judgements over Mr W expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr W's account. Given the repeat usage letters Mr W is likely to have been sent by NatWest, I think that he ought to have realised that how much he was paying for this. So I simply don't agree that Mr W was using his overdraft purely for essential spending, or because he had a reliance on credit to get by, as the representative says.

As I've already explained, Mr W's monthly income was higher than his overdraft limit. And it's fair to say that his salary suggested he could have cleared his overdraft within a reasonable period of time had he wished to do so. I can also see that he had savings in a NatWest account which at times could have cleared the overdraft in full and Mr W could have closed the facility.

Equally, I can't see that he was borrowing from unsustainable sources in order to meet his overdraft charges or that his borrowing was increasing exponentially. Mr W did have other credit commitments but this does not mean that he was reliant on credit to meet his essential expenditure. And it isn't immediately obvious to me that Mr W was borrowing from unsustainable sources – such as payday type lenders either.

I accept neither of these things in themselves (or when taken together) mean that Mr W wasn't experiencing difficulty. But I don't agree that Mr W was reliant on credit. He was quite comfortably able to make any essential commitments without using his overdraft. However, he was choosing to use his overdraft to make discretionary transactions and in periods where he had increased funds his discretionary expenditure increased.

Given the repeat usage letters Mr W is likely to have been sent by NatWest, I think that he ought to have realised that how much she was paying for using his overdraft. To be clear I've seen that the representative has provided a copy of a final decision that I issued on a different complaint where I said that the letters were insufficient.

However, that was in a case where I'd already set out why I considered that NatWest ought to have known that the borrower was struggling. And sending letters in these circumstances was insufficient bearing in mind everything else NatWest could see. I did not set out that sending letters and other communications would never be sufficient irrespective of the circumstances of a case.

In this case, I'm satisfied that NatWest had no reason to believe that Mr W was experiencing difficulty and in circumstances, where there appears to be no dispute that Mr W did not expressly reach out to NatWest and ask it for help to repay his balance, I think that telling

him what he was paying to use his overdraft in the way he was reasonable. And as far as I can see, Mr W did have the ability to exit the facility should he deemed that he did not wish to pay the charges for using his overdraft.

Overall and having considered everything, I don't think that it was unreasonable for NatWest to have proceeded adding the charges that it did. This is particularly bearing in mind the consequences of NatWest taking corrective action, in the way that it would have done had it acted in way that the representative is suggesting it should have, would have been disproportionate.

I say this because I don't think that it would have been proportionate for NatWest to demand that Mr W immediately repay his overdraft, in circumstances where there was a realistic prospect of Mr W clearing what he owed in a reasonable period of time. Furthermore, I think that if NatWest did take such action, Mr W would simply have pointed to the funds he held elsewhere to as evidence that he could repay the facility.

I think that Mr W would also more likely than not have argued that it would be unfair to take corrective action, bearing in mind the consequences of such action, in circumstances where he was using the overdraft in line with the terms and conditions and could afford to use it in the way he was.

Therefore, I don't find that the relationship between Mr W and NatWest was unfair to Mr W. I've not been persuaded that NatWest created unfairness in its relationship with Mr W by allowing him to use his overdraft in the way that he did. Based on what I've seen, I don't find NatWest treated Mr W unfairly in any other way either.

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

My final decision

For the reasons I've explained, I'm not upholding Mr W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 24 March 2025.

Jeshen Narayanan
Ombudsman