

The complaint

Mr E complains that National Westminster Bank Plc (“NatWest”), lent to him irresponsibly by increasing his overdraft limit without carrying out proper affordability checks.

What happened

In December 2023 NatWest approved an increase in Mr E’s overdraft limit from £250 to £4,950. When assessing the application, NatWest appear to have asked Mr E something about his financial circumstances and carried out a credit check before approving the lending.

It would appear that Mr E has been working with NatWest over the past year to gradually reduce the overdraft limit on the account and bring it back to a manageable level.

The investigator looked at the evidence and thought NatWest shouldn’t have increase Mr E’s overdraft limit. NatWest disagreed, although gave no reasons as to why, and asked an ombudsman to look at the complaint.

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.

Having done so, I’m upholding it for broadly the same reasons as the investigator.

NatWest is aware of its obligations under the rules and regulations in place at the time of this lending decision, including the Consumer Credit Sourcebook (“CONC”), so I won’t repeat them here. But, briefly, it was required to carry out sufficient checks to ensure that Mr E would be able to repay the borrowing applied for in a sustainable way, that is, the entire overdraft limit within a reasonable period of time. It’s also important to remember that NatWest would be able to demand that Mr E repay the debt in full at any time.

There are two questions I need to consider when deciding this case, which I will deal with separately below.

Did NatWest carry out proportionate checks before granting this loan?

The investigator thought that NatWest did, effectively, carry out proportionate checks, on the basis that it had a decade’s worth of Mr E’s banking transactions at its disposal at any time. He had banked with NatWest for an extended period and seems to have conducted almost all his finances through that current account. So, she thought it had a very clear picture of his income and expenditure, along with other indicators of financial health, which it was able to draw on when deciding whether to increase his indebtedness to it by around 1,900%.

I agree. NatWest had all the information it needed in order to make a responsible and defensible lending decision.

Was NatWest's lending decision fair, reasonable and responsible?

Based on the information available to NatWest, I cannot see how it concluded that Mr E would be in a position to repay the borrowing it was offering him within a reasonable period of time, and that it equated to affordable and sustainable borrowing for him.

In saying that, I echo all of the investigator's detailed concerns about Mr E's income in relation to the size of this overdraft; the fact that when his overdraft had been at only £250, NatWest had been regularly writing to him to encourage him to reduce that; and that he seemed to be increasingly reliant on borrowing in the few months prior to this decision.

I find it disappointing that NatWest failed to respond in a meaningful way to the investigator's view. She provided a very detailed assessment of the evidence before concluding that NatWest shouldn't have approved this lending. It gave no reason why it didn't accept that and asked an Ombudsman to look at things.

It therefore hasn't challenged any of the points made by the investigator, all of which I think were valid. But I have also noted some additional aspects of concern on the bank statements which further underline this outcome. Notably, there is an extended history of problematic gambling in evidence, and also several incidents of unpaid transaction fees in the months leading up to this event.

In short, it's difficult to avoid the conclusion that Mr E could not manage the modest borrowing he already had in place with NatWest, and that it should therefore have been abundantly clear to NatWest that there was a significant affordability risk to him by increasing that borrowing by nearly 1,900%.

It follows that I uphold this complaint.

Putting things right

In order to put things right, I direct NatWest to do the following:

- Rework Mr E's current overdraft balance so that all interest, fees and charges applied to it from 15 December 2023 onwards on debit balances of more than £250 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr E to arrange a suitable repayment plan. Mr E is encouraged to get in contact with and cooperate with NatWest to reach a suitable agreement for this. If it considers it appropriate to record negative information from Mr E's credit file, it should reflect what would have been recorded if NatWest had not increased his overdraft limit beyond £250 in December 2023. NatWest can also reduce Mr E's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave him over his limit.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr E along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then NatWest should remove any adverse information from Mr E's credit file. NatWest can also reduce Mr E's overdraft limit by the amount of refund if it considers it appropriate to do so.
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† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr E a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained, I uphold this complaint and direct National Westminster Bank Plc to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 15 April 2025.

Siobhan McBride
Ombudsman