

The complaint

Miss M complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY irresponsibly increased the credit limit on her credit card account.

What happened

In 2006 Miss M opened a credit card account with NatWest. The card credit limit was initially set at £1,100. NatWest increased the credit limit multiple times in the years that followed. By the end of 2023, the limit was £13,400.

In July 2024 Miss M made a complaint to NatWest. She said that it shouldn't have given her the credit card or increased the credit limit because she couldn't afford to repay the resulting debt, and NatWest should have realised that if it had done proper checks.

NatWest said it no longer had any records of Miss M's 2006 application, but that from the records it does have it had lent to her in line with its credit risk policy and it had done nothing wrong.

Miss M referred her complaint to us. She asked us only to consider her complaint about the credit limit increases on her account in the six years before she complained, as follows:

July 2018 - £8,400 limit (from a previous limit of £7,600)

October 2019 - £9,700 limit

January 2022 - £10,800 limit

March 2023 - £11,900 limit

December 2023 - £13,400 limit

Miss M says the limit was increased again in October 2024, to £15,100.

Our Investigator concluded that NatWest's decision to increase the credit limit to £8,400 in July 2018 wasn't irresponsible. But he thought that its subsequent decisions to increase the credit limit weren't made responsibly. He recommended that NatWest refund interest and charges applied to the account above a balance of £8,400 and amend Miss M's credit file.

Miss M didn't say whether or not she accepted the Investigator's recommendation, but NatWest did not accept it and asked for an Ombudsman's review. As well as referring to its previous submissions, it said it didn't think it would be fair for Miss M to have interest-free borrowing on some of her debt.

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.

I've also considered relevant rules – including relevant sections of the Consumer Credit sourcebook (CONC) – guidance, and good industry practice. Having done so, I've come to the same overall conclusion as the Investigator did, for much the same reasons.

First of all, NatWest has said that I can't look at the decisions it made to increase the credit limit on Miss M's card before 13 July 2018 – six years before Miss M made this complaint – because of relevant time limits in the Financial Conduct Authority's Handbook.¹ I haven't considered those earlier lending decisions, because Miss M has asked us not to do so. She has asked us only to consider the credit limit increases NatWest gave her since July 2018. There is therefore no need for me to decide whether or not the earlier lending decisions are time-barred. They are not part of the complaint I've considered here. I've considered the credit limit increases on Miss M's credit card account from 13 July 2018 onwards.

Before increasing the credit limit on Miss M's card, NatWest had a responsibility to carry out checks to satisfy itself that she would be able to repay any credit it gave her in a sustainable way. These checks should have been proportionate to the amount of the lending and the cost of repayment. There was no set list of checks NatWest had to do, but we might expect a lender to do more if, for example, a borrower's income was low and they already had a lot of existing debt or the amount being lent was high. They could take into account a number of different things, such as Miss M's income and expenditure and how she had managed borrowing – including her NatWest account – in the past. We've explained how we consider complaints about unaffordable and irresponsible lending on our website.

NatWest has said that it assessed whether Miss M could afford the new credit limit before it put each new limit in place. To do that it used information from credit reference agencies and what it knew about how Miss M had managed her credit card account with it. The records it has provided satisfy me that it did that.

However, I'm not satisfied that the checks it did were proportionate in the circumstances. In July 2018 Miss M's credit file showed that she had around £4,000 in unsecured debt and she appeared to be managing her accounts well with no arrears. But this didn't necessarily mean that she would be able to manage a higher credit limit of £8,400, which is a significant amount. It isn't good enough to base affordability and sustainability on the minimum monthly payments; NatWest should have made its decision to increase the credit limit on the basis that Miss M could pay back much more than that each month.

We've asked Miss M about her circumstances in 2018 and I've considered what she's told us alongside her current account statements from that period, in order to understand her financial situation at the time. Having done so, I don't think I can fairly conclude that NatWest was irresponsible in increasing the credit limit on her card from £7,600 to £8,400 in July 2018.

While Miss M was using her overdraft regularly at that time, she wasn't doing so for the whole month and her statements indicate that she had money left over each month from her income after essential expenditure. She was paying her existing debts without any signs of difficulty, and I think the additional £800 of lending appeared to be affordable – so I can't reasonably say that NatWest shouldn't have lent her that money.

NatWest then increased the credit limit again in October 2019, this time to £9,700. Its records show that Miss M had asked it for a higher credit limit in April 2019 but it had declined her application. The October 2019 increase was an automated one.

¹ <https://www.handbook.fca.org.uk/handbook/DISP/2/8.html>

Miss M says her circumstances had changed since 2018 and her spending had increased, although she hasn't said why that was. NatWest's credit check in October 2019 showed that her unsecured debt had increased from around £4,000 just over a year earlier in July 2018 to around £20,000. I think that this should have given NatWest cause for concern – but I can see nothing to indicate that it made enquiries of Miss M before increasing the credit limit. I think it should have done so in order to understand whether lending her a further £1,300 would be affordable and sustainable. I don't think it carried out proportionate checks before increasing the limit in October 2019.

I think that reasonable and proportionate checks would more likely than not have shown that Miss M would not be able to repay a higher credit limit in a sustainable way. Miss M was managing her existing debt insofar as she was up to date with all her payments and the balance on her NatWest credit card was well within the credit limit. But the level of her unsecured debt had increased significantly in just over a year.

The credit file Miss M has provided shows that in early 2019 she had taken out two loans, a credit card with another lender, and a catalogue shopping account. The balance on her NatWest credit card had been close to the £8,400 credit limit until May 2019 when Miss M repaid most of it in one go – shortly after taking out a loan. I think that had NatWest carried out further checks it would have seen that Miss M was in a cycle of repaying credit by borrowing further. This, according to the regulator's rules and guidance, is an indicator of unsustainable borrowing.

Miss M's current account statements show that her monthly income in the six months before the October 2019 credit limit increase averaged around £2,500. That's only slightly more than the £2,266 per month NatWest says she declared when she applied for the credit card 13 years earlier in 2006 – when she had only around £1,800 of unsecured debt and much lower outgoings overall. Her current account statements during the months before the October 2019 credit limit increase also show that the account was overdrawn for almost all of each month apart from shortly after Miss M was paid.

In all the circumstances, I consider that reasonable and proportionate checks are more likely than not to have shown NatWest that Miss M could not sustainably repay what she could owe on the credit card with a credit limit of £9,700, and so I'm not persuaded that NatWest acted responsibly in increasing the credit limit in 2019. It follows that I don't consider its later decisions to increase the credit limit further were fair, since it shouldn't have increased the limit in 2019. It should therefore put things right as I've set out below.

I've noted what NatWest has said about the fairness of requiring it to refund interest on some of the money Miss M borrowed. While Miss M wouldn't have been able to borrow the money she did had NatWest not lent irresponsibly, she wouldn't have had to pay interest on that money either. I consider that a refund of interest and charges as set out below represents a fair and reasonable way to put things right.

I've also thought about whether considering this complaint more broadly as being about an unfair relationship under section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome.

Putting things right

I've concluded that NatWest shouldn't have increased the credit limit on Miss M's credit card account in October 2019 or thereafter. I think it's fair that Miss M repays the capital she

borrowed above the £8,400 credit limit as she had the use of that money, but she shouldn't have to pay any interest, fees or charges on any balance above £8,400. So, in settlement of this complaint, NatWest should:

- Rework the account removing all interest, charges and insurance premiums that have been applied on any account balance above £8,400, to the extent that they have not already been removed.
- If the rework results in a credit balance, that credit balance should be refunded to Miss M along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NatWest should also remove any adverse information recorded about the account after October 2019 from Miss M's credit file.
- Or, if after the rework, there remains an outstanding balance, NatWest should arrange an affordable repayment plan with Miss M for the remaining amount. Once Miss M has cleared the balance, any adverse information in relation to the account after October 2019 should be removed from her credit file.

* If NatWest deducts tax from this interest it must give Miss M a certificate showing how much tax it has taken off so that she can claim a refund from HMRC if appropriate.

My final decision

My final decision is that I uphold this complaint and NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 20 June 2025.

Janet Millington
Ombudsman