

## **The complaint**

This complaint is brought on behalf of the estate of Mr B. Mrs B is acting as the deceased's representative for the purposes of this complaint. She complains that National Westminster Bank Plc ('NatWest') irresponsibly increased the limits on two overdrafts. She says NatWest acted unfairly by continuing to apply overdraft charges to Mr B's two accounts with NatWest when he was already in financial difficulty.

## **What happened**

Mr B was accepted for two overdraft applications on two separate accounts. In November 2017 an overdraft of £1,000 was agreed for account number ending 2383. And in April 2022 an existing overdraft of £4,000 with account number ending 1674 was increased to £8,000.

Mrs B says that NatWest agreed each overdraft irresponsibly as it failed to take on board that he was struggling financially whilst also gambling heavily. So NatWest failed to conduct an appropriate assessment of Mr B's account usage. As a result, Mr B's level of debt worsened, and he was charged a significant amount of interest and fees.

Our investigator said that for the first overdraft, NatWest ought to have realised by around December 2022 that Mr B was getting into financial difficulty. She also said that NatWest ought not to have agreed to the second overdraft limit being increased in April 2022.

As the estate is unhappy with our investigator's finding, the complaint has been passed to me for a decision.

## **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.

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 the late Mr B's complaint. I don't consider it necessary to set out all of that in this decision. Information about our approach to these complaints is set out on our website.

Having carefully considered everything provided, I'm in broad agreement with our investigator. I think NatWest could have done more to support Mr B for the first overdraft. And I don't think NatWest ought to have increased the second overdraft, based on the information it had available to it about the way Mr B was managing his account. I will explain in more detail below.

### Overdraft of £1,000 agreed in November 2017 (account number ending 2383)

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 Mr 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 says it agreed to Mr B's initial overdraft application after it obtained information about his income and expenditure and carried out a credit search. Mr B was by 2017 already a long-standing NatWest customer, so NatWest could also rely on what it already knew about his financial circumstances.

I've thought carefully about what Mr B and NatWest have said. NatWest asked Mr B about his income and expenditure before providing the overdraft. And the information provided suggested that what was being advanced was affordable, with NatWest relying on what Mr B said about his monthly income, household costs and other spending and then carrying out its own verification checks. NatWest calculated that after his income was paid in each month, he'd have disposable funds of around £1,200 after allowing for his household expenses and existing loan and credit repayments.

I've also taken the opportunity to look through Mr B's NatWest bank statements from the lead-up to the overdraft being provided. Based on that, I don't think there were any notable issues of concern. In particular, there wasn't anything of note in Mr B's account transactions that contradicted what Mr B had declared during the application process.

It follows that, taking into consideration what I've seen, I'm satisfied the information available suggested that in November 2017 NatWest was reasonably entitled to conclude Mr B could repay the overdraft credit he was being given, both sustainably and within a reasonable period of time.

But I think the situation had changed by around December 2022, by which time I would have expected NatWest to have carried out an annual review of how Mr B had been using his overdraft and considering whether it needed to reach out to him to provide support. I say this given that Mr B had shown increased reliance on his overdraft in the previous 12 months.

I can see there were attempts by NatWest to write to Mr B about his overdraft use. But I don't think they were enough on its own, having seen that Mr B was clearly becoming over-dependant on his overdraft and needed it to meet his household and other day-to-day committed expenditure. So I think NatWest ought to have done more to engage actively with Mr B to ensure he could become less reliant on his existing overdraft. I say this given that an overdraft facility is primarily intended to be used as a short-term or emergency source of 'fall-back' funding.

I therefore agree that NatWest needs to compensate Mr B for his overdraft use from the point by which it ought to have intervened. I agree this would be from December 2022 when the difficulty he was experiencing was very apparent. And it's then that NatWest needed to step in and apply measures to reduce Mr B's reliance on his overdraft. One way to do this would have been to gradually reduce the level of overdraft available to him.

Overdraft increase from £4,000 to £8,000 in April 2022 (account number ending 1674)

I've seen that NatWest agreed to Mr B's overdraft being increased after checking his income and expenditure and carrying out a credit search. At this point, Mr B's income was around £4,500 a month. It then went on to work out that Mr B had around £1,200 available each month by way of disposable income. However, I've also seen that in the three months prior to applying for this overdraft limit increase, Mr B had been making heavy use of his existing overdraft facilities. This is something that hadn't escaped NatWest's attention, who'd written to him in February 2022. Although I agree it's not entirely clear which account NatWest's correspondence related to, it demonstrates that NatWest already had concerns about the way Mr B was using his existing overdraft credit. And whilst this use wasn't at such a level that his overdraft was breached, it suggests that Mr B was becoming over-reliant on his existing credit. This may have been in part due to gambling transactions which would be seen in Mr B's account use. But I can't fairly say, taking on board Mr B's wider financial situation, that his level of gambling was at such a level that this factor alone was wholly responsible for his financial circumstances becoming more stretched.

Taking all of this into consideration, I'm satisfied the information available suggested that whilst NatWest carried out proportionate checks, I don't think it paid sufficient attention to Mr B's use of and increasing reliance on his existing overdraft facilities. So I don't consider NatWest acted responsibly by going on to provide Mr B with more overdraft credit. Again, I should reiterate that overdraft credit is intended to short-term or emergency borrowing facility. Its purpose is not to provide medium or long-term credit, especially where there is a risk that the continuing reliance on it would make it unaffordable to pay back sustainably.

I therefore consider NatWest ought reasonably to have identified that providing Mr B with an increased overdraft facility wasn't likely to be sustainable at this point – as indeed, proved to be the case. NatWest should have stepped in and looked to support Mr B with his financial situation and taken appropriate steps to ensure it was responsible in managing his overdraft debt going onwards.

It follows that I'm in overall agreement with our investigator. I'm therefore partly upholding the complaint for the overdraft on account number ending 2383 and fully upholding the complaint for the overdraft on account number ending 1674.

I've also considered whether the relationship between Mr B and NatWest might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr B results in fair compensation for him in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Finally, I would like to say that I am sorry to learn of Mr B's passing and the understandable impact this has had on his family. I've looked at this complaint alongside the complaints made by Mr B's estate for other NatWest products taken out by Mr B. I hope by considering these complaints together I've addressed Mrs B's concerns that the estate might have lost out by each complaint having been looked into separately. I haven't found that to be the case and it therefore hasn't changed the ultimate outcome. I hope this provides a measure of reassurance that I have considered this complaint in the context of Mr B's wider financial situation.

### **Putting things right – what NatWest need to do**

Having thought about everything, I require that NatWest should:

- Rework the overdraft balance for account number ending 2383 so that all interest, fees and charges applied from 1 December 2022 are refunded to the estate.

And

- Rework the overdraft balance for account number ending 1674 so that all interest, fees and charges applied to it from the outset are removed and refunded to the estate.
- If the effect of removing interest, fees and charges results in there no longer being a positive balance, then any extra should be treated as overpayments and returned to the estate along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement.

### **My final decision**

For the reasons I've explained, my final decision is that I uphold this complaint in part and require National Westminster Bank Plc to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Mr B to accept or reject my decision before 13 March 2025.

Michael Goldberg

**Ombudsman**