

Complaint

Mr K has complained that National Westminster Bank Plc (“NatWest”) unfairly continued applying charges to his overdraft even when it was clear that he was in financial difficulty and failing to see a credit balance for an extended period.

Background

One of our investigators looked at this complaint and initially thought that NatWest should have realised that Mr K’s overdraft had become unsustainable for him by September 2018 and so shouldn’t have added the charges it did from this point onwards. After NatWest disagreed with his assessment, the investigator issued a revised assessment stating that NatWest ought to have realised that Mr K was experiencing difficulty in August 2021 and therefore shouldn’t have added the charges it did from this point onwards.

NatWest, predominantly because of matters which are no longer in dispute, still didn’t agree with the investigator’s assessment. As NatWest didn’t agree with the investigator’s assessment the complaint was passed to an ombudsman for a final decision, as per the next stage of our dispute resolution process.

Furthermore, as Mr K now effectively only argues that it is the charges from September 2018 onwards which should be refunded to him, this decision is only looking at whether NatWest acted fairly and reasonably towards Mr K from September 2018 onwards. So while NatWest remains dissatisfied regarding conclusions reached prior to this period, as I’m not looking at the period prior to September 2018, I can confirm that those factors do not affect my decision in this instance.

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’m upholding Mr K’s complaint. I’ll explain why in a little more detail.

NatWest will be familiar with all the rules, regulations and industry codes of practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I’m satisfied that NatWest acted unfairly when it continued charging overdraft interest and associated fees from August 2021 onwards. While Mr K might not have got in touch to confirm this, nonetheless by this point, it was evident Mr K’s overdraft had become demonstrably unsustainable for him.

Mr K’s statements leading up to this period show that he’d been hardcore borrowing for an extended period. In other words, he was using his overdraft over an extended period and in a way which suggested that he would struggle to return to credit from his income or any

savings. I say this particularly as the overdraft limit and the amount Mr K was regularly overdrawn by significantly exceeded Mr K's monthly income.

In these circumstances, I cannot see how NatWest could reasonably have believed that Mr K would be able to clear what he owed within a reasonable period of time.

In reaching my conclusions, I've seen what Mr K has said about not being eligible for an student overdraft despite being a student at this point. However, I'm not in a position to say that NatWest should have provided Mr K with an interest free student overdraft if he didn't meet the qualifying criteria for one, or effectively place him the position where he retrospectively had one. Furthermore, Mr K was receiving credits into his account in the period between 2018 and 2021 and it's fair to say that he had a significant amount of discretionary expenditure during this period.

If Mr K wasn't able to pay his rent, because he wasn't receiving a student loan in 2019 and was taken to court regarding his arrears, I'm afraid that there isn't anything in his statements to indicate that was the case. If anything, he does appear to have been receiving funds which were sufficient enough to enable him to chip away at his balance and clear it within a reasonable period of time.

By 2021 the position had changed. It is clear that Mr K was no longer receiving student loan credits and the income he received wasn't enough to make inroads into his balance. I do accept that the possibility that Mr K being paid weekly, rather than monthly may have played a part in this, but nonetheless his balance pretty much remained towards the upper end of his overdraft limit. As this is the case, I think that by August 2021, NatWest needed to step in and provided Mr K with some assistance.

I've seen that NatWest is relying on having sent Mr K a number of letters telling him that he was using an overdraft in the way that he was expensive and that he should get in contact if he was experiencing difficulty. As I understand it, it then sent further letters and communications from 2020 onwards as a result of the regulator's repeat overdraft use rules. NatWest says that Mr K should have reached out if he was struggling.

I've thought about what NatWest has said. I think that the fact that NatWest felt the need to send Mr K so many letters within such a period means that it recognised there was a problem with the way that Mr K was using his overdraft.

Indeed, if I take NatWest's argument to its logical conclusion here, I see it as being that it acted fairly and reasonably towards Mr K because it sent him letters as it had identified that his overdraft usage had become a problem. But because Mr K didn't respond to the letters it was reasonable to continue allowing him to use his overdraft in the same way, notwithstanding that it had identified his use of his overdraft as being problematic.

In my view, this ignores the fact that there comes a point where a lender cannot continue simply relying on a borrower not wanting to discuss the situation. After all there are many reasons why a consumer might not want to get into discussions about their finances even though they're in a situation where they're struggling, or they may even go further and say they can and will make payment when the reality is they can't.

While Mr K didn't contact NatWest, most likely because he didn't realise the impact failing to deal with the matter at hand was having, bearing in mind what I have set out, I don't think it was reasonable for NatWest to continue believing that Mr K's problematic overdraft usage would correct itself by August 2021 at the absolute latest.

As NatWest didn't react to Mr K's account usage and have regard to his account activity, I'm satisfied that it failed to act fairly and reasonably towards him. Mr K ended up paying interest, fees and charges at a time when his overdraft was already unsustainable. So I'm satisfied that Mr K lost out because of what NatWest did wrong and it should now put things right.

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

However, I'm satisfied that what I direct NatWest to do, in the following section of this final decision, results in fair compensation for Mr K given the overall circumstances of his complaint. For the reasons I've explained, I'm also satisfied that, based on what I've seen, no additional award is appropriate in this case.

Fair compensation – what NatWest needs to do to put things right for Mr K

Having thought about everything, I'm satisfied that it would be fair and reasonable in all the circumstances of Mr K's complaint for NatWest to put things right by:

- Reworking Mr K's current overdraft balance so that all interest, fees and charges applied to it from August 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr K to arrange a suitable repayment plan, Mr K 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 on Mr K's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in August 2021. NatWest can also reduce Mr K's overdraft limit by the amount of any 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 K 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 K's credit file. NatWest can also reduce Mr K's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr K 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'm upholding Mr K's complaint. National Westminster Bank Plc should put things right in the way I've directed it to do so above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or

reject my decision before 3 April 2025.

Jeshen Narayanan
Ombudsman