

Complaint

Mr G says that National Westminster Bank Plc (“NatWest”) unfairly provided him with an overdraft with a limit of £15,000.00 after it had declined a loan application from him.

Background

In April 2015, Mr G successfully applied for an overdraft which had a limit of £15,000.00. Mr G says that this was after NatWest had declined a loan application for a similar amount that he had made shortly before.

Mr G fell into difficulty repaying the overdraft and after he did not repay the balance due when NatWest sent him a final demand, the account was defaulted in September 2019. In September 2022, after not receiving any payments from Mr G for some time, NatWest took the decision not to pursue Mr G for the outstanding balance, of over £16,000.00, which remained on the account.

Mr G complained about his overdraft in July 2023. NatWest didn’t uphold Mr G’s complaint as it considered that he had complained too late. Mr G remained dissatisfied and referred his complaint to our service.

One of our investigators looked into Mr G’s concerns. She as NatWest had already not to pursue Mr G for the remaining balance this was fair and reasonable in the circumstances.

Mr G disagreed. So the complaint was passed to an ombudsman for a final 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.

I’ve read and considered everything provided. I accept and acknowledge that Mr G has referred to a number of reasons why he believes that NatWest irresponsibly provided him with his overdraft. However, I do need to keep in mind what has happened in relation to Mr G’s overdraft when determining what’s fair and reasonable in all the circumstances of his case.

I also want to reassure Mr G that where I haven’t commented on a specific issue, or a comment that he has made, it’s not because I’ve failed to take it on board and think about it. The reason I will not have commented on the issue is because I don’t think I need to do so in order reach what I consider to be a fair and reasonable outcome. For the sake of completeness, I would add that our complaint handling rules, which I’m required to follow, permit me to adopt such an approach.

Finally, I’d also like to make it clear that my role is to ensure that Mr G is appropriately recompensed for any loss that he may have suffered as a result of NatWest’s actions. It isn’t to punish NatWest for what Mr G believes it may have done wrong.

I've considered everything said as well as everything that's been provided in this context.

Having done so and having carefully considered everything, I've not been persuaded to uphold Mr G's complaint. I'll explain why this is the case in a little more detail.

It may help for me to explain, that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been given the credit they shouldn't have. However, that's not possible in cases where funds that shouldn't have been advanced because typically those funds will have already been spent.

So we have to look at a way of asking a business to put things right in a fair and reasonable way. And where a business provided, or continued to allow a consumer to use, a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit.

This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable. And if those interest and charges were paid also add 8% simple interest per year. NatWest has actually gone further here as it has chosen to write off an outstanding balance of over £16,000.00.

I've not seen anything to indicate that Mr G has paid anything like as much as this in interest. In these circumstances, it appears as though NatWest has written off some of the funds that Mr G was provided and had the use of. So NatWest has already done more than what I'd normally expect a firm to do in this position.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit it shouldn't have (such as here), we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Mr G believes that NatWest should do even more. As I understand it, he's unhappy at being left with adverse information registered on his credit file. I've carefully thought about what Mr G has said.

Mr G is unhappy at the adverse information NatWest has recorded on his credit file. However, NatWest has written off some of the capital that it lent Mr G. Indeed, by asking NatWest to remove any adverse information, I'd effectively be asking NatWest to record that Mr G's overdraft was repaid in circumstances where it was not.

I think that it would be unfair to NatWest and Mr G, unreasonable its logic and inaccurate if I asked NatWest to amend Mr G's credit file in this way – as that doesn't reflect what would more likely than not have, or did actually, happen here. Indeed, bearing in mind that Mr G does not appear to have repaid the amount he was lent, it's difficult for me to accept that he would have repaid £15,000.00 if he'd instead been advanced this amount as a loan, instead of by an overdraft.

In my view, requiring NatWest to amend Mr G's credit file in the way he's suggested would be counterproductive and arguably not in Mr G's best interests, or those of any potential lender. This is particularly as removing this information would have the result of making Mr G appear more creditworthy than he actually is. I think that this would increase the chances of

Mr G obtaining further credit and creating even more debt that would be unsustainable and which he wouldn't have the ability to repay.

Having carefully thought about everything, including everything Mr G has told us, I'm satisfied that is entitled to continue reporting that Mr G defaulted on his overdraft. So while I can understand why Mr G is disappointed to be left with adverse information on his credit file, I'm not satisfied that this a compelling reason for me to require NatWest to do something else.

Overall and having considered everything, I'm satisfied that irrespective of whether Mr G should have been provided with a loan, rather than an overdraft, NatWest hasn't treated Mr G unfairly and I'm not upholding his complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 April 2025.

Jeshen Narayanan
Ombudsman