

## **The complaint**

Mr H, who is represented by a third party, complains that National Westminster Bank Plc ('NatWest') acted irresponsibly when it agreed to provide him with an overdraft facility. He says the overdraft became unaffordable and has asked for interest and charges incurred on the overdraft to be refunded.

## **What happened**

Mr H was accepted for a £600 arranged overdraft on his current account with NatWest in July 2019. The overdraft was then increased seven times between then and September 2019, when it reached £1,450.

One of our investigators thought NatWest acted fairly in granting the initial overdraft facility and the increases that immediately followed. But he thought NatWest had acted unfairly in not taking more action to support Mr H after it became clear that he had become too reliant on his overdraft facility after his circumstances had deteriorated. This was because NatWest ought to have properly monitored what was happening with the account and identified that Mr H was at risk of worsening his financial position. Had this happened, it could then have made changes to the existing overdraft arrangement.

As NatWest disagreed with our investigator's finding, the complaint has come to me for an ombudsman's 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 this complaint.

Having done so, I will be upholding this complaint on the same basis as our investigator. I will explain why.

*Did NatWest complete reasonable and proportionate checks to satisfy itself that Mr H would be able to repay the overdraft in a sustainable way?*

NatWest needed to make sure it didn't lend irresponsibly. In practice, what this means is NatWest needed to carry out checks that were reasonable and appropriate in order to understand whether Mr H could afford to repay any credit it provided.

NatWest carried out a series of checks before approving Mr H's overdraft. The credit and affordability checks carried out by NatWest suggested that an initial overdraft of £600 was likely to be affordable. Mr H was receiving an income of around £3,000 per month at this point.

The seven limit increases that followed all took place within a two-month period. The results of the checks showed that they were likely to be affordable. Whilst there were some changes to Mr H's income during this time, the credit check details suggested that the increased overdraft credit was likely to be affordable. So, to the extent that Mr H was receiving a monthly income that looked able to easily repay the increases being granted – and there was no suggestion of difficulty elsewhere with his credit – the checks carried out by NatWest were likely to have been fair and proportionate.

*If reasonable and proportionate checks were completed, did NatWest make a fair lending decision, bearing in mind the information gathered and what they knew about Mr H's circumstances?*

Turning to the lending decisions themselves and the information that was available to NatWest, I also agree that each of the increases looked to be affordable. Mr H didn't have any adverse markings on his credit file during this time, such as defaults or a build-up of arrears. I've noted that he increased his level of credit held elsewhere during the period of his overdraft being increased. Allowing for his committed spending, such as household costs and credit held elsewhere, I think he still had enough disposable funds to comfortably be able to manage the increased overdraft limits he was being given. At the point of the seventh overdraft increase, he was receiving around £2,100 into his account each month and appeared to have and around £760 in disposable income available to him.

Taking all the available evidence and information into consideration, I think that at the time they were each granted, NatWest's decisions to grant and then increase Mr H's overdraft facility were fair.

I've then looked at what happened with the account going forwards. I broadly agree with NatWest's observations about Mr H's work history following the overdraft increases. Mr H started receiving benefits due to being out of work in December 2019. He worked very little in 2020 – his single biggest earning month being April that year – and he didn't resume receiving a regular salary until April 2021. His employer changed at the start of 2022. Typically, he was receiving around £1,200 per month from April 2021, although this dropped to around £1,000 per month on average in 2022. Mr H's reliance on benefits increased from early 2023, the only notable exception being an apparent one-off payment of just over £3,000 in April 2023. I see some earned income of around £500 in October 2023 and £100 in December 2023, but little else. Aside from that, there's not much to suggest that Mr H was working regularly in 2024.

Mr H remained heavily, committed using the majority of his overdraft, right through from it being granted with the increased limits all the way up to November 2022 when he started receiving a consistent level of earned income again.

*Did NatWest act unfairly or unreasonably in some other way?*

I agree with our investigator that the nature of this account usage is something I would have expected NatWest to pick up on as a concern when it carried out its annual review of the account. I've seen that NatWest started sending Mr H letters about his level of overdraft usage in May 2020, with two further letters sent that year and then further letters in 2022, 2023 and 2024. However, I think there was enough evidence to show that Mr H was at risk and indeed starting to have difficulties with managing his overdraft from late 2019 into early 2020 when his working income dipped substantially. He went on to regularly breach the overdraft limit available to him, and so incurred additional charges. So I think it's from then that NatWest needed to step in and apply measures to reduce Mr H's reliance on his overdraft. I say this especially given that his level of benefits fell far short of being able to

make any meaningful inroad into the extent of his overdraft usage during this time. One way to do this would be to gradually reduce the level of overdraft available to him.

NatWest, having agreed to several substantial overdraft increases in a very short space of time, had a responsibility to monitor Mr H's account and to step in to support him and encourage him to change his pattern of use of the overdraft, once it became clear that he was relying on it in an unsustainable way.

I would add that Mr H continued to be overly-reliant on his overdraft facility even when he started getting in a regular monthly income again, from April 2021.

All of this leads me to conclude that Mr H was obviously experiencing financial difficulty and that his overall financial position was worsening to the point that there wasn't a realistic prospect that he would be able to pay off the overdraft.

It follows that I think after a year of having the overdraft – that is by September 2020 - NatWest was in a position to have identified Mr H's pattern of overdraft use when carrying out a review of the overdraft facility. By then, at the latest I would argue, NatWest ought to have realised that the overdraft was not being used on the short-term, limited basis it was intended for. I appreciate that it would be helpful to Mr H if he was out of work for a short period to help tide him over with meeting his day-to-day financial commitments. A brief review of his account anytime from early 2020 would have shown, despite some limited income being received, that Mr H was no longer able to sustainably maintain an overdraft of £1,450.

I therefore don't consider that NatWest acted fairly in allowing Mr H to continue to operate his overdraft in this way from September 2020. It needed to take steps to intervene, provide him with forbearance and apply active measures to enable him to reduce his overdraft debt. It follows that I'm in agreement with our investigator that NatWest didn't treat Mr H fairly.

I've considered whether the relationship between Mr H and NatWest might have been unfair under S.140A of the Consumer Act 1974. However, I'm satisfied the redress I have directed should be carried out for Mr H 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.

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

NatWest therefore needs to do the following:

- Re-work the overdraft balance so that all interest, fees and charges applied to it from September 2020 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr H to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr H's credit file, it should backdate this to September 2020.

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 H, 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 his credit file. †

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr H a certificate showing how much tax it's taken off if he asks for one.

### **My final decision**

For the reasons I've given, I am upholding part of this complaint and require 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 H to accept or reject my decision before 8 April 2025.

Michael Goldberg  
**Ombudsman**