

## **The complaint**

Mrs W has complained about an overdraft and subsequent limit increases she was given by National Westminster Bank PLC (NatWest). Additionally, she's said NatWest failed to take appropriate steps to monitor her overdraft usage.

## **What happened**

In September 2020 Mrs W was given an initial overdraft of £500. This was increased on three further occasions to the following:

- November 2020 - £1,000
- February 2021 - £2,250
- July 2021 to £3,000

Mrs W argues that NatWest shouldn't have allowed her to take out the initial overdraft or limit increases. She says she was struggling financially and the additional credit put her in an even more difficult financial position. She says she was taking out credit to repay existing debts and had missed payments and payday lending on her credit file. She believes that had NatWest looked at her credit file it would have seen that it wasn't appropriate to lend.

NatWest disagreed and felt it had completed sufficient checks before agreeing to lend. It said that before agreeing any overdraft limit it took details of her income and high-level expenditure, completed a credit search and considered the running of her current account. It has said that based on this, it was reasonable to lend.

Mrs W didn't agree and so she referred her complaint to our service. One of our investigators considered the complaint and didn't think NatWest had acted unfairly. They thought that NatWest had completed proportionate checks and that, based on this, it was reasonable to lend. However, they thought that from July 2023 NatWest should have seen Mrs W was struggling given how she was managing the account. So, they thought that from this point NatWest should have stepped in. They recommended NatWest refund all interest, fees and charges from this point onwards. NatWest agreed with the investigator's recommendation. Mrs W didn't agree and asked for an ombudsman to consider the complaint.

As NatWest has agreed to uphold the complaint from July 2023, this decision will only be considering the lending decisions and account monitoring prior to this account review.

## **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.

Having done so, I'm not making a different award to the investigator. I appreciate this will be disappointing for Mrs W who didn't accept the investigator's assessment.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. I have used this approach to help me decide Mrs W's complaint.

NatWest needed to make sure it lent responsibly to Mrs W. It therefore needed to complete sufficient checks to determine if Mrs W could afford to sustainably repay the lending. Our website sets out our approach to what we typically think when deciding if a lender's checks were proportionate. There is no set list of checks a lender should do, but there is guidance on the types of checks a lender could complete. However, these checks needed to be proportionate when considering things like the amount and term of the lending, what the lender already knew about the consumer, etc.

Generally, we think that earlier in a lending relationship it would be reasonable for a lender's checks to be less extensive. However, we might expect a lender to do more, for example, if a borrower's income was low or the amount lent was high.

Before agreeing the initial limit and subsequent increases, NatWest has said it completed a credit search and didn't see any adverse information such as CCJs or defaults. It also took details of Mrs W's net monthly income which ranged from between £3,900 to £4,500 and asked Mrs W for high level expenditure information for living costs, housing, other declared expenditure and existing credit repayments. It's said that Mrs W declared a total of £600 for expenditure as housing costs. In addition, NatWest said it considered how she was managing her current account.

#### *Initial limit of £500 in September 2020*

I think the types of checks Nationwide completed before agreeing this limit were proportionate. Nationwide had taken steps to review Mrs W's regular income and seen she was receiving quite a high net monthly pay (relative to the limit being given) of £3,900. It also completed a credit search and, although it hasn't provided the full results, it has confirmed that Mrs W didn't have any defaults or CCJs. Mrs W has provided a copy of her credit report, and I also can't see this demonstrates recent adverse information at the time the limit was given.

In terms of her regular expenditure, Mrs W only declared £600 for housing costs and no other expenditure. I don't think it would have been reasonable for NatWest to rely on this as an accurate outline of her regular expenditure. However, given the low limit being given, I do think it would have been reasonable for NatWest to have considered high level estimates of her regular expenditure. I think that if it had of done so, for the categories it has listed, it's likely that this initial limit would have appeared affordable. So, I'm not upholding the complaint about the initial limit.

#### *Limit increases in Nov 2020, February 2021 and July 2021*

I'm reaching the same outcome for largely the same reasons in relation to these limit increases. I'm mindful that Mrs W had increased her limit in total from £500 to £3,000 in a relatively short period of time. However, Mrs W's declared income was £4,100 in November 2020, £4,500 in February 2021 and £4,200 in July 2021. And again, I think a high-level estimate of her regular expenditure was unlikely to suggest she couldn't afford to repay

these limits. And I don't think it would have been proportionate for NatWest to have completed a full review of her actual expenditure prior to any of these limit increases.

Mrs W was a relatively high earner, without adverse information on her credit file. I appreciate Mrs W has said she had high balances on credit cards, but I don't know whether NatWest's checks revealed this and the credit results that she's provided also don't show account balances. Furthermore, her current account activity suggests she was repaying lump sums on credit cards each month. On balance, what I can see from her current account doesn't suggest her credit file at this time would have shown she was so overindebted that NatWest shouldn't have lent. I can see she had several credit cards and went on to take out a loan with NatWest in April 2021, but I can't see the payday lending or missed payments she's described until a later point, and after these lending decisions had been made.

I've also considered her overdraft usage since she was initially given an overdraft on this account, until the time of her July 2021 limit increase. From this, whilst I can see overdraft usage, there is also regular income into the account, periods where she isn't overdrawn and I can't see that she's exceeded her limit at any point. Whilst there are some periods of high overdraft balances, it's difficult to say any clearly concerning patterns had emerged by this point (July 2021).

And so taking everything into consideration, I'm not upholding Mrs W's complaint about the initial limit or the subsequent overdraft limit increases.

#### *Account usage*

As NatWest is aware, it was required to monitor a customer's repayment record on an account and take into consideration signs of repayment difficulties. The relevant rules don't set out a required timeframe for how frequently a firm should monitor an account, however we generally expect this to take place at least annually.

Our investigator thought that by the time of the annual review in July 2023 it should have been apparent to NatWest that Mrs W was struggling and so it should have stepped in. NatWest has agreed to the investigator's recommendation.

I've reviewed the account usage prior to this (predominately in relation to any earlier reviews) to see if NatWest should have stepped in earlier. However, I'm not sure it should have. Whilst I can see heavy overdraft usage, I can also see high income coming into the account and so there were periods when the account was in credit. Whilst there's some concerning behaviour, I'm not persuaded enough of a pattern had emerged before July 2023. So I don't think NatWest should have acted sooner than the investigator recommended.

#### *Other considerations*

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress below results in fair compensation for Mrs W in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

#### **Putting things right**

NatWest should pay compensation in line with what it has already agreed to do. It should therefore:

- Re-work Mrs W's current overdraft balance so that all interest, fees and charges applied to it from 16 February 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mrs W to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mrs W's credit file, it should backdate this to 16 February 2023.

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 Mrs W, 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 Mrs W's credit file. †

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

### **My final decision**

For the reasons explained, I uphold this case in part and require National Westminster Bank Plc to put things right in the way I've described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 5 November 2025.

Claire Lisle  
**Ombudsman**