

Complaint

Mr G has essentially complained that National Westminster Bank Public Limited Company ("NatWest") unfairly provided him with an overdraft that was unaffordable.

He also says that it continued applying charges to his overdraft even after it should have realised that he couldn't sustainably repay it. Mr G argues that by this stage he had been constantly in his overdraft and it was clear that he didn't have the means to come out of it.

Background

Mr G was provided with an overdraft that had a limit of £500 in September 2016. From what I've seen, Mr M's overdraft limit was never increased.

One of our investigators looked at this complaint and thought NatWest shouldn't have allowed Mr G to continue using his overdraft from September 2018 onwards. So she thought that NatWest needed to refund all of the interest, fees and charges that it charged on from September 2018 onwards.

NatWest, predominantly because of matters which are no longer in dispute, 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, as per the next stage of our dispute resolution process.

As Mr G has agreed with the investigator's findings on matters, this decision is only looking at whether NatWest acted fairly and reasonably towards Mr G 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 provisional decision of 17 March 2025

I issued a provisional decision – on 17 March 2025 - setting out why I was intending to partially uphold Mr G's complaint.

In summary, I was satisfied that from September 2019 onwards NatWest allowed Mr G to continue using his overdraft in circumstances where it knew, or it ought reasonably to have known, that it was unsustainable or otherwise harmful for him.

NatWest's response to my provisional decision

NatWest responded to my provisional decision confirming its receipt and the fact that it nothing to add prior to my final decision.

Mr G's response to my provisional decision.

Mr G responded to confirm that he accepted my provisional decision and he had nothing further to add ahead of my 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 thank the parties for their responses to my provisional decision.

Having considered everything provided, including the responses to my provisional decision I remain satisfied that NatWest acted unfairly when it continued adding interest and associated fees and charges to Mr G's overdraft from September 2019. I'll explain why in a little more detail.

NatWest will be familiar with all the rules, regulations and good industry 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.

By this point, it was evident that Mr G's overdraft had become unsustainable for him and NatWest ought reasonably to have realised that continuing to provide it was likely to cause Mr G significant adverse consequences. Looking at Mr G's statements leading up to September 2019 it is clear that Mr G was struggling to maintain a credit balance for any sort of meaningful period of time. Indeed it appears as though Mr G was regularly exceeding his limit and incurring unpaid transaction fees on an almost monthly basis. Mr G's account transactions also suggest that one of his credit commitments, albeit with another bank, had entered into collections too.

In reaching my conclusions, I've seen that Mr G was using his overdraft regularly from September 2018. However, it's fair to say that his Mr G's limit was low, his discretionary spend was higher at this stage and most importantly he was spending longer in a credit balance. Indeed, it could be reasonably argued that the reason why Mr G was spending as much time as he was using his overdraft at this stage was because he was being paid weekly and the date that he was making his payments to his, at this stage, more limited number of creditors. So I don't think that an objective look at Mr G's account activity obviously shows that he was experiencing difficulty at this stage.

However, by September 2019 it is clear that the position had changed. I accept that Mr G's limit remained the same but he was spending far less time in credit. I don't think that this could solely be attributed to him being paid weekly at this stage either. Furthermore, I'm also mindful that in the immediate period after September 2019, Mr G's position goes even further downhill. I can see that the number of creditors he has increases and the profile of them changes too. Indeed, Mr G not only starts borrowing from the non-prime sector he also starts regularly borrowing from a payday style lender.

I've also considered what NatWest has said about having sent Mr G 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. NatWest says that Mr G should have reached out if he was struggling and it was limited in what it could do because he didn't get in contact.

I think that it's worth me starting by saying that the fact that NatWest felt the need to send Mr G so many letters means that it recognised there was a problem with the way that Mr G 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 G because it sent him letters as it had identified that his overdraft usage had become a problem. But because Mr G 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 in circumstances where they simply cannot do so.

While Mr G didn't contact NatWest, I don't think it was reasonable for NatWest to conclude that his problematic overdraft usage would correct itself. This is also as the activity on his account was worsening rather than improving. In these circumstances, I'm satisfied that NatWest should have stopped providing the overdraft on the same terms and treated Mr G with forbearance by September 2019.

As NatWest did not react to Mr G's problematic overdraft usage and instead continued charging him in the same way, while allowing him to continue using the facility in an unsustainable way, I find that NatWest failed to act fairly and reasonably towards Mr G.

Mr G ended up paying additional interest, fees and charges on his overdraft at a time when his usage indicates it had become unsustainable for him. So I'm satisfied that Mr G lost out because of what NatWest did wrong and that it should now put things right.

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

However, I'm satisfied that what I direct NatWest to do, in the section below, results in fair compensation for Mr G 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 should do to put things right for Mr G

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

- Reworking Mr G's current overdraft balance so that all interest, fees and charges applied to it from September 2019 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr G to arrange a suitable repayment plan, Mr G 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 G's credit file, it should reflect what would have been recorded if it had started the process of taking corrective action on the overdraft in September 2019. NatWest can also reduce Mr G's overdraft limit by the amount of 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 G 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 G's credit file. NatWest can also reduce Mr G'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 G a certificate showing how much tax it has taken off if he asks for one.

My final decision

For the reasons I've explained above and in my provisional decision of 17 March 2025, I'm partially upholding Mr G's complaint. National Westminster Bank Public Limited Company 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 G to accept or reject my decision before 22 April 2025.

Jeshen Narayanan
Ombudsman