

The complaint

Miss M complains Nationwide Building Society (“Nationwide”) provided her with an overdraft and multiple increases that she struggled to repay. She has said that her wage did not increase in line with the overdraft, and this eventually led to her never being in credit even after being paid.

What happened

Miss M had an overdraft with Nationwide since January 2016, however for the purposes of this complaint, I’ll only be considering the activity from 2018 onwards, as Miss M says this is when it became an issue for her.

In 2018, Miss M’s overdraft limit was at £200. In July 2018 it was increased twice, to £250 and then £300. In August 2018 the limit was increased three times – to £500, £800 and then £1,000. In September 2018 it was increased to £1,200 and in November 2018 it was increased to £1,500. It then wasn’t increased again until February 2020 to £1,700 and finally in October 2020 to £2,000.

In December 2021 the overdraft was paid off and removed. But subsequently, between January 2022 and April 2022 it gradually increased back up to £2,500.

Nationwide received Miss M’s complaint in February 2024. They responded in March 2024 saying they completed checks to ensure their lending criteria was met and the new limits were affordable. Nationwide said having looked at Miss M’s account, she had a stable income, no sign of financial difficulty, and a surplus of funds after regular bills were paid. They also said there was a high level of non-essential spending.

Miss M wasn’t happy with Nationwide’s response, so she asked our service to look into things. An Investigator here assessed her complaint. They said Nationwide should refund the interest and charges applied to the account from October 2019 onwards because Miss M hadn’t seen or maintained a credit balance for a significant period of time by this point.

Nationwide disagreed with the Investigator. They said all increases were initiated by the customer, there was no adverse data on Miss M’s credit file, and she reduced the balance to zero in 2021 so it was affordable. It goes on to say “The FCA rules we follow are set out in the Consumer Credit Sourcebook - CONC 5D.3.3G (6) and they instruct firms that they “should not consider the suspension or removal of the overdraft facility, or a reduction in the credit limit...if this would cause financial hardship to a customer.” Firstly, we’re concerned that your recommendation contradicts the expectations from the regulator.”

Our Investigator issued a second opinion, explaining the overdraft was repaid in 2021 with inheritance money, meaning it’s not a sustainable way to repay. They also reiterated some of their other concerns and responses to the complaint.

I previously issued a provisional decision. Below is what I said:

“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 not currently minded to uphold Miss M's complaint. I know this is likely to be disappointing, so I'll explain why in a little more detail. We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Miss M's complaint.

Nationwide 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.

I'm not looking at Nationwide's charging structure specifically – ultimately, it won't have acted fairly and reasonably towards Miss M if it applied interest, fees and charges to her account in circumstances where they were aware, or ought fairly and reasonably to have been aware Miss M was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where Nationwide didn't treat Miss M fairly and reasonably.

In other words, I've considered whether there were periods where Nationwide continued charging Miss M even though they ought to have stepped in and taken corrective measures on the overdraft as they knew (or ought to have realised) that she was in financial difficulty. If Miss M was locked into paying charges because there was no prospect of her exiting her overdraft then her facility would have been unsustainable for her. So I've carefully considered whether this was the case.

Having looked through Miss M's account statements throughout the period concerned, I can't agree that Nationwide ought reasonably to have taken corrective measures in relation to her overdraft. I don't think that it ever got to a stage where Miss M's overdraft had become demonstrably unsustainable for a sustained period.

The period up until the overdraft was cleared in full in December 2021

Up until November 2018, Miss M's monthly income exceeded the agreed overdraft limit, and so there were regularly periods where she would see a credit balance, even if this wasn't for an extended period of time. Considering this, combined with the nature of the spending – which, on the whole, was discretionary – I don't think Nationwide likely would've been on notice at this point that Miss M was struggling financially, or that she was unable to clear the balance within a reasonable period of time.

I think that it's fair to say that from July 2020 onwards, Miss M's overdraft use started to become more concerning. The overdraft limit significantly exceeded her monthly income, there were increased repayments to other lenders, and she didn't see a credit balance at all until December 2021 when Miss M repaid the overdraft and managed it down to £0.

In their submissions to our service, Nationwide has said due to the level of discretionary spend, they had no affordability concerns in relation to Miss M's usage and the fact she reduced the overdraft to £0 shows it was clearly affordable. However, Miss M has explained the debt was repaid in December 2021 when she received an inheritance payment.

Prior to this, she was in an overdrawn position for around three years. So, while it's positive that Miss M managed to repay the overdraft in December 2021, it wasn't because the facility was affordable or because her circumstances had significantly improved. Receiving inheritance isn't a sustainable way to repay debts owed as it's not something that could be

considered regular or reliable. Nonetheless, it would not be fair and reasonable for me to ignore that Miss M did receive these funds or the effect that doing so had on her overall position.

I remain satisfied that by this point Nationwide should've started having some concerns about Miss M's overdraft usage. However, while I think that it was getting to the point where Nationwide should have been concerned about whether Miss M may have been struggling financially and investigated this further Miss M happened to end up in a position where she was able to clear the problem and reduce the overdraft to zero. As Miss M was able to do this at this stage, I'm satisfied that Nationwide didn't need to step in and take corrective action.

The position after Miss M had cleared her overdrawn balance in December 2021 By April 2022, Nationwide had allowed Miss M to increase her overdraft limit back to the same level it was previously when they should've started thinking about whether she was stuck in a cycle of hardcore borrowing. In fact, Miss M had now increased the overdraft limit to even higher amount than it was back in 2021 when she first started experiencing difficulties. However, it's important I review the full picture of Miss M's financial position at the time, and now just how the overdraft was being managed.

Nationwide have referred to Miss M largely using the account for discretionary spending. Having considered Miss M's statements, while I'm not seeking to make retrospective value judgements over her expenditure, nonetheless it is fair to say that there are significant amounts of non-committed, non-contractual and discretionary transactions going from Miss M's account. Indeed, it's fair to say that a significant proportion of Miss M's expenditure at the time was discretionary.

However, I don't think how Miss M chose to use the overdraft facility is key question for me to consider here. The question for me to consider is whether Miss M's use of her overdraft was causing her to incur high cumulative charges that were harmful to her and whether this was causing her to be locked into using it going forward. And having considered matters, I don't think that this is the case.

I say this because, when Miss M received the inheritance payment in December 2021 and initially cleared the overdraft, I can see in the from her current account statements she transferred £19,990 into another account with Nationwide on 3 December 2021. Nationwide have been able to provide me with the statements for this savings account. And while Miss M did slowly move money out of the account, she had more than enough to clear or significantly reduce the overdraft until, at the latest, March 2023.

Indeed, the repeat usage letters Miss M is likely to have been sent by Nationwide as well as her current account statements, will have meant that Miss M ought to have known how much she was paying for using her overdraft in the way that she was. Given Miss M had a balance in her savings account which was sufficient to clear her overdraft and ensure that she didn't have to pay these charges, it's difficult for me to accept that she couldn't use these funds to repay what she owed Nationwide, or that she was in a position where she had no choice other than to use her overdraft.

I also say all of this while mindful that I've seen no indication that any of the potential signs of financial difficulty contained in the regulator's guidance on financial difficulty (set out in CONC 1.3) – such as Miss M failing to meet consecutive payments to credit, borrowing from payday or other high-cost lenders, or Miss M failing to meet her commitments out of her disposable income – were present in Miss M's circumstances at any time prior to her complaint.

Therefore, having taken all of this into account, I don't think it would be fair to say that Miss M was stuck in a cycle of interest and charges that she couldn't get out of. And as a result, I don't think Nationwide have acted unfairly when continuing to lend to Miss M.

In reaching my conclusions, I've also considered whether the lending relationship between Nationwide and Miss M might have been unfair to Miss M under s140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied that Nationwide did not lend irresponsibly or act unfairly in allowing Miss M to use her overdraft in the way that she did bearing in mind all of the circumstances. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So overall I'm satisfied that it wasn't unfair for Nationwide to provide the overdraft or the limit increases to Miss M.

I'm also satisfied that Nationwide did not charge Miss M in circumstances where it ought to have realised that it was unfair to do so. As this is the case, I'm minded to not uphold Miss M's complaint. I appreciate that this will be very disappointing for her, but I hope she'll understand the reasons for my 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.

Nationwide didn't respond to the provisional decision with further comments, and Miss M responded but didn't provide any additional evidence or comments.

Given that both parties haven't provided any new information to this service, I see no reason to depart from the findings I reached in my provisional decision.

Therefore it follows that I'm not upholding Miss M's complaint against Nationwide, and can't say they treated her unfairly by allowing her to continue to use her overdraft facility or by increasing the limits.

My final decision

It is my final decision that Nationwide Building Society didn't treat Miss M unfairly when continuing to lend to her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 24 April 2025.

Meg Raymond
Ombudsman