

## **Complaint**

Mr E has complained that National Westminster Bank Public Limited Company's ("NatWest") overdraft charges placed him in an extended period of financial difficulty.

## **Background**

NatWest initially provided Mr E with an overdraft in January 2013. It was provided with a limit of £100. In June 2015, Mr E successfully applied for four overdraft limit increases until his limit reached £1,800.00. And then in July 2015, Mr E made a further three successful applications until his limit reached £3,000.00.

Mr E made a further two applications for limit increases in January 2016. However, NatWest declined these applications.

In February 2023, Mr E complained to NatWest saying that it shouldn't have provided him with his overdraft or his limit increases. He was also unhappy that NatWest continued charging him even when he was experiencing difficulty.

In its final response to Mr E's complaint, NatWest told Mr E that as the overdraft was provided in 2013, the limit increases took place in 2015 and Mr E didn't make his complaint until February 2023, it believed that he had complained too late. Mr E remained dissatisfied and referred his complaint to our service.

Two of our investigators looked at Mr E's complaint. Between them they reached findings that not only could we look at Mr E's complaint, but that NatWest shouldn't have provided Mr E with any of the limit increases. So the complaint was upheld.

NatWest disagreed with our investigators' assessment. As a result of this, the case was passed to an ombudsman.

## **My provisional decision of 14 March 2025**

I issued a provisional decision – on 14 March 2025 - setting out why I was intending to partially uphold Mr E's complaint.

In summary, I was satisfied that that NatWest unfairly allowed Mr E to continue using his overdraft in circumstances where it knew, or it ought reasonably to have known, that the facility had become unsustainable or otherwise harmful for him.

## **NatWest's response to my provisional decision**

NatWest didn't respond to my provisional decision or ask for any additional time in order to do so.

## **Mr E's response to my provisional decision**

Mr E responded to my provisional decision explaining why he believed that I should also consider his complaint about what had happened on his account prior to February 2017.

I've separately and in some detail responded on why I'm unable to consider what happened on Mr E's account prior to February 2017. As I've done so, I do not propose to repeat why this in the case in this final decision. I've also gone on to consider everything else in the context that I'm only able to consider whether NatWest acted fairly and reasonably towards Mr E from February 2017 onwards.

## **My findings**

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, including the responses to my provisional decision, I remain satisfied that NatWest failed to act fairly and reasonably towards Mr E from February 2017 onwards.

I'm therefore still partially upholding Mr E's complaint. I'll now proceed to explaining why I've reached the decision that I have, in a little more detail.

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

Having considered matters, while Mr E might not have got in touch to confirm this, nonetheless by February 2017, it was evident Mr E's overdraft had become demonstrably unsustainable for him. I say this because Mr E's statements leading up to this period show that he'd been hardcore borrowing for an extended period.

I can see payments to and from multiple payday lenders and can also see transactions for significant amounts going out of the account which ought to have called into question Mr E's ability to sustainably repay this overdraft too. The statements also show that Mr E had gone over his overdraft limit on more than one occasion and was incurring unarranged overdraft fees too.

In my view, the activity and transactions taking place on Mr E's account indicated that there was little prospect of him being able to repay what he owed without undue difficulty or borrowing further. And, in truth, it is little surprise that Mr E ended up defaulting on the overdraft further down the line.

As these are matters I would expect NatWest to have been aware of, I'm satisfied this means that NatWest should have realised that Mr E wasn't using his overdraft as intended and as the account conduct had suggested it had become unsustainable shouldn't have continued offering it on the same terms.

As NatWest didn't react to Mr E's overdraft and instead continued charging in the same way, I'm satisfied that it failed to act fairly and reasonably towards him from February 2017 onwards.

Mr E ended up paying interest, fees and charges at a time when his overdraft was already unsustainable. So I'm satisfied that Mr E lost out because of what NatWest did wrong and that it should now put things right.

## **Fair compensation – what NatWest needs to do to put things right for Mr E**

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

- Reworking Mr E's overdraft balance so that all interest, fees and charges applied to it from February 2017 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr E to arrange a suitable repayment plan, Mr E 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 E's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in February 2017.

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 E 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 E's credit file.

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

NatWest sold an outstanding balance on Mr E's account to a third-party debt purchaser. So it will need to either pay an amount to the third-party (equivalent to the interest added on the overdraft from February 2017 onwards) in order for it to make the necessary adjustments, or pay Mr E an amount (equivalent to the interest, fees and charges which need to be refunded) to ensure that it fully complies with this proposed direction.

I've also noted that Mr E entered into an IVA and then exited it without completing it. It is possible that Mr E's former Insolvency Practitioner may retain an interest in the compensation, that I've directed NatWest to pay. NatWest should take into account the terms of the IVA and what effect Mr E's exit from it has, if any, when calculating any settlement. Mr E will also need to keep this in mind when deciding on whether to accept or reject this final decision.

## **My final decision**

For the reasons I've explained above and in my provisional decision of 14 March 2025, I'm partially upholding Mr E'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 E to accept or reject my decision before 28 April 2025.

Jeshen Narayanan

**Ombudsman**