

Complaint

Miss F has essentially complained that Nationwide Building Society (“Nationwide”) unfairly provided her with an overdraft that was unaffordable.

She also says that it continued applying charges to her overdraft even after it should have realised that she couldn’t sustainably repay it. Miss F argues that by this stage she had been constantly in her overdraft and it was clear that she didn’t have the means to come out of it.

Background

Miss F was initially provided with an overdraft that had a limit of £200 in March 2018. Miss F’s overdraft limit was increased on a number of occasions until it reached £2,000.00 in April 2021.

One of our investigators looked at this complaint and thought Nationwide should have realised that Miss F’s overdraft had become unsustainable for her by April 2022¹ and so it shouldn’t have added the charges it did from this point onwards.

Nationwide didn’t agree with the investigator’s assessment of the complaint. And it asked for an ombudsman’s review.

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, I’m upholding Miss F’s complaint. I’ll explain why in a little more detail.

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.

Having considered everything provided, I’m satisfied that Nationwide acted unfairly when it continued adding interest and associated fees and charges to Miss F’s overdraft from April 2022.

By this point, it was evident that Miss F’s overdraft had become unsustainable for her and Nationwide ought reasonably to have realised that continuing to provide it in the same way was likely to cause Miss F significant adverse consequences. Looking at Miss F’s

¹ The assessment erroneously directed a refund from April 2023. Nationwide’s response to the assessment appears to acknowledge that there was a typographical error in the redress section of the assessment and the investigator’s conclusion was that Nationwide failed to act fairly and reasonably towards Miss F from April 2022 onwards.

statements leading up to this period it is clear that Miss F was struggling to maintain a credit balance for any sort of meaningful period of time.

I note that, in response to our investigator's assessment, Nationwide has calculated a retrospective income and expenditure assessment in the period leading up to April 2022. It says that this shows Miss F was not experiencing difficulty and instead had Miss F not made payments to a company it has highlighted, the overdraft would have been cleared.

I've thought about what Nationwide has said. However, in my view, Nationwide ought to have taken steps to question what was going on at the time of the April 2022 review and not wait until now before retrospectively speculating on these payments. Furthermore, Miss F was making the payments in question and this was a factor that it ought to have taken account of at the time of the review. In any event, given these payments were often made after others had transferred funds to her, I think these may well have been payments made on behalf of others.

I'm also mindful that Miss F's account balance was made to look better than it actually was by credits from others and student loan payments, which Miss F was unlikely to be able to count upon continuing to receive going forward. Therefore, I don't think that these funds could reasonably have been counted on as part of a credible or stable repayment strategy.

Nationwide will also have seen that the profile of lender Miss F was borrowing from was changing. For example, Miss F was clearly making payments to a credit card provider in the non-prime sector. And even more concerning I can see that Miss F was taking out payday loans from at least more than one lender in the months prior to April 2022. In my view, this sort of borrowing is not indicative of a customer being in a healthy financial position. So I think that Nationwide ought to have had concerns about Miss F's creditworthiness at this stage.

Having looked at Miss F's statements, it seems to me that her actual income was just under £1,900.00 a month. Of which, £900 was going to her rent and £300 was going to Nationwide in the form of payments to her loan and credit card. Given Miss F was paying over £250 a month to her energy supplier, it seems to me that she didn't have much left over from her actual living costs to reasonably repay this overdraft, once payments for other essentials such as council tax, other essential living costs, food and transportation are deducted from her income.

Bearing in mind all of this, I'm satisfied that Nationwide should have realised that Miss F wasn't using her overdraft as intended and as the account conduct had suggested it had become unsustainable, Nationwide shouldn't have continued offering it on the same terms.

In reaching my conclusions, I've also considered that Nationwide may well have sent Miss F a number of letters telling her that using her overdraft in the way that she was, was expensive and that she should get in contact if she was experiencing difficulty. Nationwide may say that Miss F should have reached out if she was struggling and it was limited in what it could do because she didn't get in contact.

I think that it's worth me starting by saying that the fact that Nationwide felt the need to send Miss F letters means that it recognised there was a problem with the way that Miss F was using her overdraft. I accept that Miss F may not have responded to the letters. However, I don't think that it was reasonable for Nationwide to have allowed Miss F to continue using her to use her overdraft in the same way, notwithstanding that it had identified her use of her 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 Miss F didn't until July 2023, which was after she had lost everything in a fire and was now in temporary accommodation, this doesn't change the fact that Nationwide ought to have realised that Miss F's overdraft use was problematic more than a year prior to this. Furthermore, the rules regarding repeat overdraft usage are design to ensure that interventions are taken prior to a customer reaching the point where financial difficulty has become entrenched.

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

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

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

However, I'm satisfied that what I direct Nationwide to do in the section below results in fair compensation for Miss F given the overall circumstances of her 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 Nationwide should do to put things right for Miss F

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

- Reworking Miss F's current overdraft balance so that all interest, fees and charges applied to it from April 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Miss F to arrange a suitable repayment plan, Miss F is encouraged to get in contact with and cooperate with Nationwide to reach a suitable agreement for this. If it considers it appropriate to record negative information on Miss F'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 April 2022. Nationwide can also reduce Miss F's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave her over her 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 Miss F 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 Nationwide should remove any adverse information from Miss F's credit file. Nationwide can also reduce Miss F's overdraft limit by the amount of refund if it considers it appropriate to do so.

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Miss F a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained, I'm upholding Miss F's complaint. Nationwide Building Society should put things right in the way I've directed it to do so in the section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs F to accept or reject my decision before 3 June 2025.

Jeshen Narayanan
Ombudsman