

The complaint

Mr P complains National Westminster Bank Public Limited Company lent to him irresponsibly when they approved his applications to increase his overdraft limits. He also says they failed to properly monitor his use of the overdraft.

What happened

Mr P was granted a £250 overdraft in November 2023. He complains that from 2020 onwards, NatWest shouldn't have increased his overdraft limit, and that they failed to adequately monitor the way he was using his overdraft.

Date	Previous limit	New limit
7 February 2020	£250	£750
19 March 2020	£750	£1,250
20 September 2023	£1,250	£2,000

NatWest's final response explained the information Mr P shared in his applications met their lending criteria. So, they didn't agree they'd lent to him unfairly. Mr P remained unhappy so brought his complaint to our service.

Our Investigator didn't think Mr P's complaint should be upheld. They thought NatWest's checks were reasonable and suggested the lending was affordable for Mr P. Regarding the monitoring of Mr P's account, our Investigator didn't think NatWest's reviews would have shown the overdraft was unaffordable as he received a healthy monthly income and managed his account within the agreed limits.

Mr P disagreed with our Investigator, so his complaint was passed to me for a 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.

Having considered everything, I'm not upholding Mr P's complaint. I'll explain my reasoning below.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. This is something NatWest is familiar with, and I've used this approach to help me decide Mr P's complaint.

NatWest needed to make sure they didn't lend irresponsibly. In practice, this means they needed to carry out reasonable and proportionate checks so they could understand whether Mr P could afford to repay what he owed in a sustainable manner. This is sometimes referred to as an "affordability assessment" or "affordability check".

The checks needed to be borrower focused – meaning NatWest had to consider if repaying the credit sustainably and within a reasonable period of time would cause difficulties or

adverse consequences for Mr P. It wasn't enough for NatWest to consider the likelihood of getting their funds back – they had to consider the impact of the repayments on Mr P.

Checks also needed to be proportionate to the specific circumstances of the lending. There isn't a specific list of what constitutes proportionate affordability checks – rather it will depend on several factors, but not limited to, the particular circumstances of the consumer, and the amount/type/cost of credit they were seeking. And generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information they gather and what they do to verify it – in the early stages of a lending relationship. So, I've kept all this in mind when thinking about whether NatWest did what they needed to before lending to Mr P.

NatWest says that before agreeing to lend they considered information Mr P shared in his application and that gathered from credit referencing agencies (CRAs). In February 2020, the checks showed Mr P had a monthly income of £2,300. And after his housing costs, loan repayments, credit card repayments and living costs were deducted, Mr P had a disposable income of £680 a month. Given he had applied for a £750 overdraft limit, I consider his disposable income suggested he would have been able to repay the overdraft within a reasonable period. So, I don't agree NatWest treated him unfairly when approving this overdraft limit. And I've reached the same conclusion for the March 2020 £1,250 overdraft limit because at this date the checks showed a similar disposable income.

Mr P has argued his transactional activity would have shown NatWest that increasing his overdraft wouldn't have been affordable. However, NatWest has explained they don't manually review a customer's account before granting overdrafts. The relevant regulations don't specify what checks a bank should carry out, so I don't consider NatWest acted unreasonably by relying on the information they gathered before agreeing to lend. That's because I've not seen anything in those checks that suggested further checks were warranted.

When Mr P applied to increase his overdraft to £2,000 in September 2023, his monthly income had increased to around £4,400. NatWest have limited information from their checks at the time. So, I've looked at Mr P's statements to better understand what those checks likely would have shown.

I can see around £2,200 would be transferred to a joint account he holds with his partner, and Mr P has explained this was for their mortgage and bills. I've also seen just under £500 a month was paid towards external credit commitments. This left Mr P with just over £1,700. I don't know what figure NatWest would have used for Mr P's living costs. But even if I were to use a figure of £1,000 a month (which is substantially more than the £641 figure they used for previous applications) I still think the £2,000 overdraft would be affordable. So, I don't think NatWest treated Mr P unfairly when they agreed to lend in September 2023.

While I consider NatWest lent to Mr P fairly, they were still expected to ensure the lending remained affordable and sustainable. To do that, I consider they ought to have reviewed Mr P's use of the overdraft, at least annually. To understand what those reviews would have shown, I've considered the information contained in Mr P's statements.

NatWest has acknowledged there were occasions Mr P used his overdraft for extended periods of time. And when this happened, they wrote to him – and I can see this happened in February 2021, April 2021, December 2021, and October 2022. This correspondence reminded Mr P overdrafts are intended for short-term use and offered support if he needed it to reduce his overdraft use. This is what I would have expected NatWest to do in the circumstances. And in the absence of anything to show Mr P engaged with this correspondence, I'm not minded to agree they treated him unfairly. Removing Mr P's overdraft wasn't the only way they could show forbearance. And it's not uncommon for

banks to want to speak with their customer so that they're better placed to provide tailored support. And if Mr P was struggling to manage his overdraft, I would have expected him to have engaged with NatWest after receiving their correspondence about his overdraft use.

I agree with both Mr P and NatWest that the overdraft was used regularly. But like our Investigator, I can't ignore the fact Mr P received a healthy monthly income which would often repay his overdraft. And in looking at how Mr P's account was managed, I don't agree there were signs of financial difficulties. Rather, it appears his overdraft was used to the extent it was due to his management of his funds and level of discretionary spending. It's for this reason; I don't agree NatWest treated him unfairly by not proactively removing or reducing his overdraft. If Mr P is struggling with his overdraft, I would suggest he contacts the department detailed in NatWest's final response to discuss his options.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think NatWest lent irresponsibly to Mr P or otherwise treated him unfairly. I haven't seen anything to suggest that s.140A or anything else would, given the facts of this complaint, lead to a different outcome here.

I know this isn't the outcome Mr P hoped for. But for the reasons above, I'm not asking NatWest to do anything to put things right.

My final decision

My final decision is that I'm not upholding Mr P's complaint about National Westminster Bank Public Limited Company.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 8 September 2025.

Sarrah Turay
Ombudsman