

The complaint

Miss B complains that National Westminster Bank Public Limited Company (NatWest) gave her an overdraft and subsequent limit increases which she couldn't afford to repay.

Miss B also says NatWest acted unfairly when it continued to apply charges to her overdraft even when it was clear that she was in financial difficulty and failing to see a credit balance for an extended period.

What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

In November 2020, Miss B was provided with an overdraft facility of £250. The limit was subsequently increased four times in a period of six months as follows:

Limit Increase Number	Date	Existing Limit	Limit Increase	New Limit
1	23 February 2021	£250	£50	£300
2	19 April 2021	£300	£250	£550
3	21 April 2021	£550	£250	£800
4	17 May 2021	£800	£2,200	£3,000

In September 2024, Miss B complained to NatWest about its decision to lend to her.

Later that month, NatWest issued its final response to Miss B's complaint. In short, NatWest did not uphold the complaint. In doing so, it said it was satisfied the lending was affordable based on the information provided by Miss B, as well as the information it gathered from the checks it carried out.

Unhappy with this, Miss B referred the matter to our service.

One of our investigators looked into the complaint and, in May 2025, issued their findings in which they upheld the complaint in part. In short, our investigator said that whilst NatWest made fair lending decisions, it *failed to act fairly and reasonably* when reacting to Miss B's overdraft usage. As a result, our investigator recommended NatWest re-work Miss B's account so that all interest, fees and charges applied from 17 May 2022 onwards are removed and, if applicable, overpayments be returned to Miss B.

Both parties provided submissions in response to our investigator's findings. As a result, our investigator issued a follow-up view in which they addressed points raised in response to the initial findings. In short, our investigator's position remained unchanged – this being the complaint should be upheld from 17 May 2022 onwards.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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 done so, I've reached the same conclusion as our investigator. I'll explain why.

But, before I do, I would like to make it clear that I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

First and foremost, I'll set out my findings with regards to Miss B's concerns about the lending decisions before moving on to the second strand of Miss B's complaint – this being that NatWest acted unfairly by continuing to apply interest and charges when it was clear that she was in financial difficulty.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss B's complaint.

NatWest needed to make sure it didn't lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Miss B could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

So before agreeing to approve or increase the credit available to Miss B, NatWest needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but are not limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short-term borrowing. I'd also expect NatWest to think about Miss B's ability to repay the whole borrowing in a reasonable period.

Prior to agreeing to the initial overdraft - and the subsequent limit increases - NatWest asked Miss B to provide information about her income. Miss B declared her monthly income for each lending decision as follows: £2,840, £1,900, £2,500, £2,500 and £2,500. NatWest verified this using automated account turnover checks.

Miss B says her income was not as high as the figure NatWest relied on – and she has provided evidence in support of this. I would like to thank her for doing so. I've thought carefully about this. Lenders like NatWest are entitled to expect prospective borrowers to answer questions about their financial circumstances in good faith. And while the rules lenders must follow – which are set out by the industry regulator, the Financial Conduct Authority, in its Consumer Credit Sourcebook (CONC) - may have anticipated that applicant's may not always provide accurate information, I'm not persuaded NatWest acted unfairly by relying on the income it did. I say this particularly bearing in mind it didn't just rely on the figures Miss B declared but it took steps to verify them through automated current account turnover checks, which is a recognised and reasonable method of verifying income.

Prior to each lending decision, NatWest used information Miss B declared about her expenditure – including her housing and living costs – as well as information about Miss B's existing credit commitments gathered from credit checks it carried out - to estimate her expenditure and, by extension, estimate her disposable income. Having done so, NatWest calculated Miss B's monthly disposable income for each lending decision to be as follows: £340, £662, £1,230, £1,230 and £974.

Therefore, the information provided by Miss B alongside the information NatWest gathered did suggest that what was being advanced was affordable.

Turning to the credit searches - the results we have been provided with by NatWest are limited. But it doesn't appear Miss B was overindebted or was contributing a significant portion of her declared (and verified) income towards existing credit commitments.

Looking at things in the round, I think these checks were reasonable and proportionate taking into account factors like the fact this was the early stages of the lending relationship and the amount being lent is relatively modest (particularly with regards to the initial lending decision and Limit Increases Numbers 1-3).

What's more, I don't think there was anything within the information NatWest gathered which ought to have given it cause to decline the applications. With that being the case, I don't think NatWest acted unfairly when approving these lending applications.

I am mindful that Miss B made a further three applications to increase her overdraft (Limit Increase Numbers 2-4) within a period of less than three months following Limit Increase Number 1 - including two applications separated by only a couple of days – which may be of concern.

That said, having looked through Miss B's statements in the lead up to the limit increases being provided, I don't think that there was anything overly concerning in this period of time such as returned Direct Debits, evidence of reliance on payday lending or sustained overdraft usage (indeed the account was brought into credit balance on multiple occasions in the months prior to these lending applications) which ought to have given NatWest cause to carry out further checks and/or decline the applications.

In summary, taking everything into consideration, including the size of the lending in question (particularly in relation to the initial lending decision and Limit Increase Numbers 1-3), I think these checks were reasonable and proportionate. I think that NatWest had gained a reasonable understanding of Miss B's income and expenditure, and it had independently verified some of the information provided by using an automated account turnover check and completing a credit search. And I don't think there anything within the information NatWest gathered which meant it ought to have declined these applications.

Did NatWest act unfairly or unreasonably in some other way?

As part of her complaint, Miss B has said that NatWest *failed to notice [her] difficulty during the annual reviews of [her] overdraft and have failed to offer forbearance e.g. by stopping interest and charges being added.*

As I've mentioned, the rules lenders must follow are set out in CONC. CONC 5D.2 and 5D.3 set out what a business must do to intervene where a customer is repeatedly using their overdraft.

CONC 5D.2 sets out a business' obligation to identify and monitor repeat use of overdrafts and its obligation to identify customers in actual or potential financial difficulty. Some examples of things that might indicate financial difficulties are given here. For instance, use of other products which may indicate a fall in disposable income, an upward trend in a customer's use of the overdraft over time or where a customer has become or remained overdrawn in every month over a 12-month period.

CONC 5D.3 sets out what interventions the business should take in cases of repeat overdraft users.

Where there are signs that a customer is (or might potentially be) suffering financial difficulties, CONC 5D.3 sets out that the business must:

- Communicate with the customer highlighting the pattern of use and whether this is resulting in high avoidable costs AND encourage the customer to contact them about their situation AND provide contact details of debt advice charities.
- If after a reasonable period of time the pattern continues and the customer hasn't made contact, the business must take reasonable steps to contact the customer to set out suitable options designed to help the customer.
- If the customer still doesn't engage with the business the business must after a reasonable period, consider whether to continue offering the overdraft facility and whether to reduce it, so long as this doesn't cause the customer financial hardship.

Given this, I've considered whether NatWest has acted fairly and in line with its obligations under CONC.

I agree with our investigator that the nature of this account usage is something I would have expected NatWest (in accordance with CONC 5D.2) to pick up on as a concern when it carried out its annual review of the account in May 2022 – this being one year on from the last credit limit increase.

I say this because, since May 2021, Miss B appears to use her overdraft consistently. Indeed, it looks like Miss B was regularly using the majority of her available overdraft limit from this time and – on occasion – she went beyond her overdraft limit. There is no point during this 12-month period when the account is brought into a credit balance.

Miss B was obviously experiencing financial difficulty, and she was over-relying on her overdraft to get by such that there wasn't a realistic prospect that she would be able to pay off the overdraft.

I've seen that NatWest started sending Miss B letters about her level of overdraft usage in June 2021, with further letters sent in July 2021, December 2021, June 2022, July 2022, August 2022, as well as several letters sent in 2023 and 2024. These letters represent a

regulatory requirement and, in and of themselves, do not mean NatWest ought to have ceased lending to Miss B.

However, I think the fact that NatWest felt the need to send Miss B this number of letters means that it recognised there was a problem with the way that Miss B was using her overdraft. And, in my view, it should have acted on this during the first annual account review after the final limit increase.

I understand Miss B didn't respond to the letters and, as a result, no further action was taken. But Miss B not responding to these letters doesn't mean NatWest could conclude that her problematic overdraft usage would correct itself.

With all of this in mind, I think it's from the point of the first annual review after the final credit limit increase – 17 May 2022 – that NatWest was in a position to have identified Miss B's pattern of overdraft use. It was by then, at the latest I would argue, that NatWest ought to have realised that the overdraft was not being used on the short-term, limited basis it was intended for, and it needed to step in and apply measures to reduce Miss B's reliance on her overdraft. I say this especially given that funds entering the account fell far short of being able to make any meaningful inroads into the extent of her overdraft usage during this time.

I therefore don't consider that NatWest acted fairly in allowing Miss B to continue to operate her overdraft on the same terms from 17 May 2022. It needed to take steps to intervene, provide her with forbearance and apply active measures to enable her to reduce her overdraft debt. It follows that I'm in agreement with our investigator that NatWest didn't treat Miss B fairly.

I note that NatWest has said Miss B had funds (totalling around £1,000) held in another account which could have been used to reduce the overdraft usage – and therefore reduce the interest and charges which she incurred. Miss B has told our service that these funds were *earmarked for essential living costs such as rent, childcare and disability care* [and therefore] *did not represent discretionary funds* [Miss B] *could have chosen to apply to the overdraft*.

I don't doubt or disbelieve Miss B on this point. But, even if that were not the case, bearing in mind Miss B's overdraft usage from the point at which I am upholding this complaint fluctuated between £2,500-£3,000. I am not persuaded the presence of roughly £1,000 in another account – which wouldn't clear half of the overdraft – is sufficient cause to conclude NatWest acted fairly by allowing Miss B to keep her overdraft on the same terms beyond May 2022.

In reaching my conclusions, I've also considered whether NatWest have acted unfairly or unreasonably in any other way and if an unfair relationship existed between NatWest and Miss B, as defined by section 140A of the Consumer Credit Act 1974.

However, I'm satisfied the redress I've directed in this decision results in fair compensation for Miss B in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Summary

I think NatWest ought to have realised Miss B was experiencing financial difficulty and that her overall financial position such that there wasn't a realistic prospect that she would be able to pay off the overdraft. And I think it ought to have realised this by the time of the annual review on 17 May 2022.

So, I'm satisfied it's appropriate to uphold this complaint from 17 May 2022.

Miss B ended up paying additional interest as a result of NatWest failing to realise that she was in financial difficulty. Therefore, Miss B lost out because of what NatWest did wrong and that it needs to put things right.

I think the redress I've proposed below is fair way to put Miss B back in the position she would have been – as far as practicable – if things had gone as they should have done. I don't think any further award is appropriate in this case.

Putting things right

NatWest therefore needs to do the following:

- Re-work the overdraft balance so that all interest, fees and charges applied to it from 17 May 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Miss B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss B's credit file, it should backdate this to 17 May 2022.

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 B, 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 her credit file. †

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

My final decision

My final decision is that I uphold this complaint in part. I require NatWest to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 5 August 2025.

Ross Phillips
Ombudsman