

The complaint

Mr B complains National Westminster Bank Public Limited Company lent to him irresponsibly when they approved his application for an overdraft and failed to adequately monitor his use of it.

What happened

Mr B complains about the lending decision below and NatWest's failure to monitor his reliance on borrowing:

Date	Existing limit	New limit
18 September 2018	£0	£4,500

NatWest looked into Mr B's concerns and issued their final response. They explained their checks determined the overdraft was affordable, and the information they'd gathered didn't indicate further checks were warranted. NatWest also said their review of Mr B's use of his account showed regular credits were received and the account was used within the facility provided. Because of this they didn't uphold his complaint. Mr B remained unhappy, so he brought his complaint to our service.

Our Investigator felt NatWest ought to have known the overdraft was no longer suitable for Mr B around September 2022. That's because his income had reduced, and there had been large volumes of gambling transactions – and this contributed to his prolonged use of the overdraft.

NatWest accepted our Investigator's findings, but Mr B didn't. He didn't think the award went far enough because he felt he had become reliant on his overdraft before 2022.

Our Investigator wasn't persuaded to change her mind, so Mr B's complaint was passed to me for a final 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 upholding Mr B's complaint – but not how he hoped. 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 B'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 that they could understand whether Mr B 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 B. 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 B.

Checks also needed to be proportionate to the specific circumstances of the lending. What constitutes a proportionate affordability check 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. So, I've kept all this in mind when thinking about whether NatWest did what they needed to before lending to Mr B.

Mr B applied for his overdraft in September 2018. In his application, he declared his monthly income was £1,550, housing costs at £287, and living costs of £717. This would have left Mr B with a disposable income of £546. And the checks carried out by NatWest didn't show any monthly expenditure for external credit.

While these checks suggested Mr B had a relatively healthy disposable income, I do think further checks were warranted to ensure the lending would be affordable. That's because Mr B was applying for a £4,500 overdraft limit. This is quite a large limit in comparison to his monthly income, so I do think NatWest ought to have taken additional steps to ensure approving this lending wouldn't cause Mr B harm.

To have a better understanding of what additional checks would have shown, I've reviewed Mr B's statements for the three months prior to the lending (June, July and August 2018). Having done so, I've seen his average monthly income was just over £2,700 and there were limited transactions for essential spend. Mr B has explained he would transfer money to his wife for bills, so based on what I've seen, I consider further checks would have shown the overdraft was affordable for Mr B's circumstances. In turn, I don't agree they treated him unfairly when the lending was approved.

While I consider NatWest's lending decision was fair, they were still obligated to ensure the overdraft remained affordable and sustainable. To do that, we would expect a financial business to review the use of their customers' overdrafts. So, I've gone on to consider what those reviews would have shown.

We would expect overdrafts to at least be checked annually, so in Mr B's case, at least by September each year. So, to understand what NatWest's reviews would have shown, I've gone through all of Mr B's statements from the point of lending, until he complained – but I've paid particular attention to the three months prior to each renewal date.

Mr B's statements show he didn't use the overdraft facility before September 2020. But even when that happened, his management of the account didn't indicate he was reliant on the overdraft or other sources of credit. So, I don't consider it was necessary for NatWest to intervene in September 2019 – nor September 2020.

However, things had changed by September 2021, as Mr B had started to use his overdraft regularly. Mr B might argue that this is point from which his complaint should be upheld, but I'm not minded to agree that's case. But I do think NatWest should have intervened in some way.

Given Mr B's somewhat continuous use of his overdraft, I consider they ought to have at least written to B to remind him that overdrafts are intended for short-term use and explain support is available if he needs it. I don't consider removing the overdraft at this stage would have been reasonable, or in line with the obligations on NatWest. There wasn't enough

information to safely conclude the overdraft wasn't sustainable at this point – and removing an overdraft can sometimes cause more difficulties if a consumer is struggling.

By September 2022, I do think more supportive intervention was required from NatWest. By this time, Mr B's average monthly income had reduced to around £1,400. When this is coupled with the large volumes of gambling transactions over the year, occasions of exceeding the overdraft limit and unpaid transaction fees being applied to Mr B's account, I think it ought to have been clear Mr B had become reliant on the overdraft and was struggling to effectively manage his finances.

Mr B had been consistently using his overdraft for two consecutive years by this point, and the management of the account indicated the overdraft was no longer affordable or sustainable. In turn, more needed to be done to prevent this cycle from continuing.

Because of the above, I agree with our Investigator that September 2022 is the point from which Mr B's complaint should be upheld.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed results in fair compensation for Mr B in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

For the reasons above, I'm upholding Mr B's complaint.

My final decision

My final decision is that I'm upholding Mr B's complaint about National Westminster Bank Public Limited Company.

To put things right, NatWest should:

- Re-work Mr B's current overdraft balance so that all interest, fees and charges applied to it from 18 September 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr B's credit file, it should backdate this to 18 September 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 Mr 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 Mr B's credit file. †

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 July 2025.

Sarrah Turay
Ombudsman

