

## **Complaint**

Miss J has complained about the overdraft charges National Westminster Bank Public Limited Company ("NatWest") applied to her current account. She's effectively said the charges applied to her account were unfair as she shouldn't have been given the overdraft and this caused ongoing financial difficulty.

## **Background**

Miss J originally applied for a student overdraft in October 2017. NatWest accepted Miss J's application and she was provided with an overdraft with an initial limit of £500. This limit was increased to £1,000.00 in August 2018, before then being increased to £1,500.00 and then £2,000.00 in March 2019.

In February 2025, Miss J complained saying that NatWest shouldn't have given her this overdraft or increased her limit and doing so caused ongoing difficulty as charges were applied even when she was unable to afford them.

NatWest didn't uphold Miss J's complaint. It did not think that it had done anything wrong or treated Miss J unfairly. Miss J remained dissatisfied after NatWest's response and referred her complaint to our service. When Miss J's complaint was referred to our service, NatWest told us that we couldn't consider part of it as it was made too late.

One of our investigators reviewed what Miss J and NatWest had told us. He reached the conclusion that we could look at the entire period Miss J had her overdraft for. However, he wasn't persuaded that NatWest had acted unfairly by providing an overdraft, increasing the limit, or allowing Miss J to use her overdraft in a way that was unsustainable or otherwise harmful. So the investigator didn't think that Miss J's complaint should be upheld.

Miss J disagreed with the investigator and asked for an ombudsman's decision.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. NatWest has argued that Miss J's complaint was made too late because she complained more than six years after the decision to provide the overdraft, the first limit increase and when some of the charges on the overdraft were applied, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Having carefully considered everything, I've decided not to uphold Miss J's complaint. Given the reasons for this, I'm satisfied that whether Miss J's complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

Having considered matters, I'm satisfied that it is reasonable to interpret Miss J's complaint as being one alleging that the lending relationship between Miss J and NatWest was unfair to Miss J as described in s140A of the Consumer Credit Act 1974 ("CCA"). I consider this to be the case as Miss J has not only complained about the circumstances behind the application of the individual charges, but also the fact NatWest's failure to act during the periods she alleges it ought to have seen she was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Miss J's can therefore reasonably be interpreted as a complaint that the lending relationship between herself and NatWest was unfair to her. I acknowledge the possibility that NatWest may still disagree that we are able to look at the whole of Miss J's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters. This includes the submissions that Miss J has made about her complaint having been made in time.

In deciding what is fair and reasonable in all the circumstances of Miss J's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss J's complaint can be reasonably interpreted as being about that her lending relationship with NatWest was unfair to her, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (NatWest) and the debtor (Miss J), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss J's complaint, I therefore need to think about whether NatWest providing Miss J with an overdraft, increasing her limit or allowing her to use the overdraft in the way that it did, resulted in the lending relationship between Miss J and NatWest being unfair to Miss J, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Miss J's relationship with NatWest is therefore likely to be unfair if it irresponsibly provided the overdraft or allowed Miss J to continue using her overdraft in circumstances where it ought reasonably to have realised that the facility had become unsustainable or otherwise harmful for her. And if this was the case, NatWest didn't then remove the unfairness this created somehow.

I've therefore considered whether this was the case.

*NatWest's initial decision to provide Miss J with an overdraft for £500 and then incrementally increase the limit on it to £2,000.00*

We've set out our general approach to complaints about unaffordable/irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when considering Miss J's complaint.

NatWest needed to make sure that 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 J would be able to repay what she was being lent before providing any credit to her.

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.

I think that it is worth me starting by saying that when she was initially granted this overdraft Miss J wouldn't have had to pay any interest or charges for some time provided that she kept within her agreed limit. I think this is especially important context to bear in mind given Miss J's complaint about the initial decision to grant her an overdraft and the limit increases.

When Miss J initially applied for her overdraft, I understand that NatWest will have carried out a credit search. Bearing in mind what I've been provided, I'm satisfied that any credit search that NatWest carried out will more likely than not have shown that Miss J hadn't had previous difficulties with credit. I've not seen anything to suggest that the situation changed by the time that Miss J was provided with her limit increases afterwards either.

I'm also mindful about Miss J's circumstances at the time of her overdraft application and limit increases and the fact that she was entering (and in at the time of the increases) full time education. In these circumstances, where Miss J was unlikely to earn for some time, it's difficult for me to agree that agreeing this overdraft was wholly unreasonable given it would provide her with some breathing space and was a far better alternative to any other alternative sources of credit Miss J would more likely than not have turned to.

Furthermore, I don't agree that Miss J was provided with her overdraft at a time where she had no income either given Miss J's statements show that she was in receipt of student loans. Miss J says that she applied for this overdraft and credit limit increases because she needed to cover essential living costs.

I don't know if this was the case. But nonetheless I can't see an alternative where Miss J would have been able to borrow from a lender – in order to pay living costs – without having to pay interest at the time. And given the circumstances, where this was a student account where Miss J would continue to receive the funds interest free for an extended period, it's difficult for me to accept that NatWest providing Miss J with the overdraft or increasing the limit was unfair.

So overall bearing in mind the circumstances and the type of facility it agreed to, I don't think that NatWest treated Miss J unfairly or unreasonably when providing her with an interest free overdraft of up to £2,000.00.

I'll now go on to consider whether it was fair and reasonable for NatWest to begin adding interest to Miss J's overdraft when it did so.

*Did NatWest unfairly allow Miss J to continue using her overdraft in a way that was unsustainable or otherwise harmful for her once it became chargeable?*

Before I go any further, as this aspect of Miss J's complaint essentially boils down to a complaint that Miss J was unfairly charged as a result of being allowed to continue using her overdraft, I want to be clear in saying that I haven't considered whether the various amounts NatWest charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at NatWest's charging structure per se, it won't have acted fairly and reasonably towards Miss J if it applied this interest, fees and charges to Miss J's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware that there was a clear reason it would have been unfair to do so. I've therefore considered whether such a reason existed which would have resulted in NatWest charging Miss J unfairly.

Having looked through the statements NatWest has sent, it's clear that Miss J has been using her overdraft since it started attracting interest after it was converted to a standard current account. I'm therefore satisfied that there can be no dispute that Miss J was using her overdraft over the period of time this part of her complaint is concerned about. Miss J's arguments appear to suggest that this in itself means that her complaint should be upheld.

However, Miss J's overdraft was arranged and an open-ended agreement credit agreement. This means that Miss J had an agreement to use her overdraft and as a result she was entitled to use it without having to reapply to do so. Therefore, Miss J using her overdraft in the period that she had it doesn't automatically mean that her complaint should be upheld.

That said, I do accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, it isn't always the case that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. Indeed, if that were automatically the case, there would be an outright prohibition on revolving credit accounts being open ended, rather than there being a requirement for a lender to review how the facility is being used.

It's also worth saying that one such instance where a lender would be expected to act is where it was clear that the customer was experiencing financial difficulty. Nonetheless, it would need to be objectively clear to the lender, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result.

I've therefore considered whether NatWest acted fairly and reasonably towards Miss J, in this light. In other words, I've considered whether there were periods where NatWest continued charging Miss J even though it ought to have instead stepped in and taken corrective measures on the overdraft as it knew, or it ought to have realised, that he was in financial difficulty.

Having looked through Miss J's account statements throughout the period concerned, I can't see that NatWest ought reasonably to have realised that Miss J was experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Miss J's overdraft.

I'll explain why I think this is the case in a little more detail.

To begin with, I can't see Miss J notified NatWest that she was struggling and that these charges were causing her difficulty, prior to her complaint. If she had NatWest would have known that the charges were causing harm and I would have expected it to act. Nonetheless, even though I can't see that Miss J directly told NatWest that she couldn't afford to pay these charges, I've also considered whether her account activity ought to have alerted it to this being the case.

In considering this matter, I'm mindful that in order to help with determining whether it is objectively the case that a customer was experiencing financial hardship, the regulator has set out guidance on what it considers to be potential indicators of financial difficulty.

The '*Guidance on financial difficulties*' states that things such as a customer failing to meet consecutive payments to credit, being unable to meet their commitments out of their disposable income, having adverse credit or other insolvency information recorded against them, or being in a debt arrangement should be considered as potential signs of a customer being in financial difficulty. Having looked at Miss J's account transactions, I've seen no indication that any of the potential signs of financial difficulty contained in the guidance, were obviously present in her circumstances during the entire period I've looked at.

I've also looked at Miss J's incomings and outgoings as well as her overdrawn balances and determined whether it was possible for her to have stopped using her overdraft, based on this. I think that if Miss J was locked into paying charges in circumstances where there was no reasonable prospect of her exiting her overdraft then her facility would have been unsustainable for her, even where the indicators of financial difficulties I've set out above weren't clearly present in her circumstances, when looking at the account transactions.

In reviewing this matter, I've noted that throughout the period of time this aspect of Miss J's complaint is concerned with, Miss J's account was in receipt of credits that were sufficient to clear the overdraft within a reasonable period of time. Indeed, Miss J regularly saw a credit balance.

In these circumstances, I'm satisfied that Miss J's case isn't one where a borrower was marooned in their overdrawn with no reasonable prospect of exiting it. The fact that Miss J was receiving regular credits into her account, which often took her into a credit balance, is another reason why her overdraft doesn't appear to have been obviously unsustainable for her.

Furthermore, while I'm not seeking to make retrospective value judgements over Miss J expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Miss J's account. There also transfers to another account.

I accept that Miss J may well have had other credit commitments at this time. But this in itself does not mean that she was reliant on credit to meet her essential expenditure. And it isn't immediately obvious to me that Miss J was borrowing from unsustainable sources specifically to pay for these overdraft charges either.

Of course, I accept neither of these things in themselves (or when taken together) mean that Miss J was, as she says, thriving financially. But I don't think that Miss J's account conduct and overdraft usage obviously show that she was clearly in financial difficulty. And bearing in mind I'm satisfied that it is more likely than not that Miss J did not directly tell NatWest that she was experiencing financial difficulty, that's what I'd need to be persuaded of in order to uphold her complaint.

Looking from the outside, it looks like Miss J had the funds to be able to reduce the amount that she used her overdraft. Therefore, I don't think that Miss J was obviously locked into using her overdraft and paying the charges for doing so. In my view, there was a reasonable prospect of Miss J exiting her overdraft. And NatWest was reasonably entitled to believe that Miss J was choosing to use her overdraft in the way that she was, rather than a case that her financial circumstances meant that she had no choice other than to do so.

Overall and having considered everything, I don't think that it was unreasonable for NatWest to have proceeded adding the charges that it did. This is particularly bearing in mind the consequences of NatWest taking corrective action, in the way that it would have done had it acted in way that Miss J is suggesting it should have, would have been disproportionate.

I say this because I don't think that it would have been proportionate for NatWest to demand that Miss J immediately repay her overdraft and if not defaulting her account (which is likely to have been what would happen bearing in mind matters), in circumstances where there was a realistic prospect of Miss J clearing what she owed in a reasonable period of time.

Bearing all of this in mind, I've not been persuaded that NatWest created unfairness in its relationship with Miss J either by providing Miss J with an overdraft, increasing her overdraft limit, or allowing her to use her overdraft in the way that she. Based on what I've seen, I don't find NatWest treated Miss J unfairly in any other way either.

So while I can understand Miss J's sentiments and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss J. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Miss J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 30 October 2025.

Jeshen Narayanan  
**Ombudsman**