

Complaint

Mr M has complained about the overdraft charges National Westminster Bank Public Limited Company (“NatWest”) applied to his account.

Mr M is being represented, by the (“representative”), in his complaint.

Background

Mr M successfully applied for an overdraft with a limit of £300 on his current account in January 2014. In May 2016, this limit was increased to £600.

In March 2025, Mr M complained saying that he was irresponsibly provided with an overdraft which he was then allowed to continue using in a way that was unsustainable and which caused him continued financial difficulty.

NatWest did not uphold Mr M’s complaint. It did not think that it had done anything wrong or treated Mr M unfairly in the period he had his overdraft. Mr M was dissatisfied at NatWest’s response and referred his complaint to our service. When Mr M’s complaint was referred to our service, NatWest told us that we couldn’t consider parts of it as it was made too late.

One of our investigators reviewed what Mr M and NatWest had told us. She reached the conclusion that we could look at the entire period Mr M had his overdraft for but she wasn’t persuaded that NatWest had acted unfairly by allowing Mr M to use his overdraft in a way that was unsustainable or otherwise harmful. So the investigator didn’t recommend that Mr M’s complaint be upheld.

The representative, on Mr M’s behalf, 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 part of Mr M’s complaint was made too late because he complained more than six years after the decisions to provide him with an overdraft and some of the charges on it were applied, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained Mr M’s complaint was one alleging that the relationship between him and NatWest was unfair to him as described in s140A of the Consumer Credit Act 1974 (“CCA”). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

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

I'm also in agreement with the investigator that Mr M's complaint should be considered more broadly than just the individual charges or lending decisions. I consider this to be the case as Mr M 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 he alleges it ought to have seen he was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Mr M's complaint can be interpreted as one alleging that the lending relationship between himself and NatWest was unfair to him. I acknowledge the possibility that NatWest may still disagree that we are able to look at the whole of Mr M'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.

In deciding what is fair and reasonable in all the circumstances of Mr M's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr M's complaint can be reasonably interpreted as being about that his lending relationship with NatWest was unfair to him, 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 (Mr M), 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 Mr M's complaint, I therefore need to think about whether NatWest's allowing Mr M to use his overdraft in the way that it did, resulted in the lending relationship between Mr M and NatWest being unfair to Mr M, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

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

NatWest's decisions to provide Mr M with an overdraft with limits of £300 and £600

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 Mr M'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 Mr M would be able to repay what she was being lent before providing any credit to him.

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.

NatWest says that it will have obtained some information on Mr M's income and his expenditure before deciding to lend to him. It says that this will have been cross-referenced against information it obtained on the funds going into Mr M's main account and his existing credit commitments which it obtained from credit reference agencies.

Mr M's overdraft was an open-ended (running account) agreement (in other words, while NatWest was required to periodically review the facility, there was no fixed end date) where there was an expectation that he'd repay what she borrowed plus the interest due within a reasonable period of time. CONC didn't (and still doesn't) set out what a reasonable period of time was.

So I think it's important to note that a reasonable period of time will always be dependent on the circumstances of the individual case. Equally, it's fair to say that overdraft limits of £300 and £600 will have required relatively low credits in order to clear the full amount that could have been owed within a reasonable period of time.

Taking into account the funds Mr M was receiving as well as the amount that needed to be repaid should Mr M owe the respective full amounts of £300 and £600, I think that NatWest was entitled to conclude that Mr M had sufficient funds to cover sustainable credits to his overdraft as well as also cover whatever regular monthly living costs he may have had.

Did NatWest unfairly allow Mr M to continue using his overdraft in a way that was unsustainable or otherwise harmful for him?

Before I go any further, as this aspect of Mr M's complaint essentially boils down to a complaint that he was unfairly charged as a result of being allowed to continue using his 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 Mr M if it applied this interest, fees and charges to Mr M's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr M was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where NatWest didn't treat Mr M fairly and reasonably.

In other words, I've considered whether there were periods where NatWest continued charging Mr M 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 Mr M's account statements throughout the period concerned, I can't see that NatWest ought reasonably to have realised that Mr M 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 Mr M's overdraft. I'll explain why I think this is the case in a little more detail.

I accept that Mr M used his overdraft regularly. I 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, this is not the same as saying that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty.

The representative's letter of complaint states that its review of Mr M's credit file leads it to believe that NatWest identified Mr M as a repeat overdraft user. It's unclear to me how it has reached this conclusion bearing in mind that a lender isn't expected to report that it has identified a customer as a repeat overdraft user to credit reference agencies. Nonetheless, the key issue here isn't simply whether Mr M was a repeat overdraft user. What is important to determine is whether Mr M was incurring high overdraft charges which NatWest ought to have realised that he clearly couldn't afford to repay.

I say this because if Mr M was locked into paying charges in circumstances where there was no reasonable prospect of him exiting his overdraft, then his facility would have been unsustainable for him. With this in mind, I think it's important to look at overall circumstances of a customer's overdraft usage as part of considering their overall financial position, rather than simply looking at whether they met the definition of a repeat overdraft user.

So I've considered Mr M's incomings and outgoings as well as any overdrawn balances and thought about whether it was possible for him to have stopped using his overdraft, based on this. The first thing for me to say is that Mr M's overdraft limit was low and his account was in receipt of credits that were well in excess of what was required to clear the overdraft within a reasonable period of time. Indeed, there were periods where Mr M had a credit balance for an extended period and could have removed the overdraft if he wanted to.

Furthermore, it's clear that NatWest has over the years refunded some of the charges that Mr M paid on the account too. I'm therefore satisfied that Mr M's case isn't one where the borrower was marooned in their overdraft in circumstances where it was clear that there was no reasonable prospect that they could exit it.

I'd also add that while I'm not seeking to make retrospective value judgements over Mr M expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr M's account. Most importantly of all, it's clear that Mr M's account ended up in an overdrawn position in 2023 because he chose to transfer funds to a different account with another bank. This wasn't too long after he'd been refunded some charges as a gesture of goodwill.

I note that Mr M has said that he transferred the funds because he needed to make payments from his other account. But without wishing to be blunt, it was Mr M's choice to prioritise funding his other account by using the overdraft on this one. I can't reasonably say that NatWest should be held responsible for this choice, or that choosing to make this transfer meant that NatWest acted unfairly. In my view, NatWest was reasonably entitled to conclude that Mr M was choosing to use his overdraft to make a discretionary transaction.

Given the repeat usage letters Mr M is likely to have been sent by NatWest, I think that he ought to have realised that how much he was paying for this. So I simply don't agree that Mr M was using his overdraft purely for essential spending, or because he had a reliance on credit to get by.

Overall and having considered everything, I don't think that it was unreasonable for NatWest to have proceeded adding the charges that it did and hasn't refunded.

Therefore, I don't find that the relationship between Mr M and NatWest was unfair to Mr M. I've not been persuaded that NatWest created unfairness in its relationship with Mr M by allowing him to use his overdraft in the way that he did. Ultimately, any unfairness that may have been created, was mitigated by the significant amount of interest, fees and charges that NatWest did refund. Based on what I've seen, I don't find NatWest treated Mr M unfairly, in relation to this overdraft, in any other way either.

So overall and having considered everything, while I can understand Mr M's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 January 2026.

Jeshen Narayanan
Ombudsman