

## **Complaint**

Mr M has complained about the overdraft charges National Westminster Bank Public Limited Company (“NatWest”) applied to his current account. He’s said the charges were applied unfairly as he was allowed to use his overdraft for a prolonged period and even when it was clear that he was struggling.

## **Background**

Mr M originally applied for a student overdraft in October 2013. NatWest accepted Mr M’s application and he was provided with an overdraft with an initial limit of £500. This limit was increased to £750 in February 2014, £1,000.00 in April 2014, then £2,000.00 in August 2014.

Mr M was required to start paying interest on his overdraft from September 2020 onwards. And he asked for his limit to be reduced to £1,500.00 in August 2021.

Mr M’s complaint was looked at by one of our investigators. He thought that NatWest hadn’t done anything wrong or anything unfairly from when it began to start charging interest from September 2020 onwards.

Mr M 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.

Having carefully considered everything provided, I’m not upholding Mr M’s complaint. I’ll explain why in a little more detail.

Before I go any further, as this essentially boils down to a complaint that Mr M was unfairly charged by 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 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, notwithstanding the implications for Mr M, as it knew, or it ought to have realised, that he was in financial difficulty.

Having looked through the statements NatWest has sent, it's clear that Mr M has been using his 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 Mr M was using his overdraft over the period of time his complaint is concerned about. Mr M's arguments appear to suggest that this in itself means that his complaint should be upheld.

However, Mr M's overdraft was arranged under an open-ended agreement credit agreement. This means that Mr M had an agreement to use his overdraft and as a result he was entitled to use it without having to reapply to do so. Therefore, Mr M using his overdraft in the period that he had it doesn't automatically mean that his 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 Mr M, in this light. 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.

To begin with, I can't see Mr M notified NatWest that he was struggling and that these charges were causing him difficulty, prior to his complaint. If he 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 Mr M directly told NatWest that he couldn't afford to pay these charges, I've also considered whether his 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 Mr M'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 his circumstances during the entire period I've looked at.

I've also looked at Mr M's incomings and outgoings as well as his overdrawn balances and determined whether it was possible for him to have stopped using his overdraft, based on this. I think that 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, even where the indicators of financial difficulties I've set out above weren't clearly present in his circumstances, when looking at the account transactions.

In reviewing this matter, I've noted that Mr M was in receipt of credits that were more than enough to clear his overdraft. Indeed, Mr M regularly had credit balances and would have had them longer had he not been transferring funds into a savings account. Equally, I can't see that he was borrowing from unsustainable sources in order to meet his overdraft charges or that his borrowing was increasing exponentially.

I accept that Mr M, as he says, did have some other credit commitments but this does not mean that he was reliant on credit to meet his essential expenditure. And it isn't immediately obvious to me that Mr M was borrowing from unsustainable sources – such as payday type lenders either.

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

Looking from the outside, it looks like Mr M was able to reduce the amount that he used his overdraft. Therefore, I don't think that Mr M was obviously locked into using his overdraft and paying the charges for doing so. In my view, there was a reasonable prospect of Mr M exiting his overdraft. And NatWest was reasonably entitled to believe that Mr M was choosing to use his overdraft in the way that he was, rather than a case that his financial circumstances meant that he 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 Mr M 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 Mr M immediately repay his overdraft and if not defaulting his account (which is likely to have been what would happen bearing in mind matters), in circumstances where there was a realistic prospect of Mr M clearing what he owed in a reasonable period of time.

In reaching my conclusions, I've also considered whether the lending relationship between NatWest and Mr M might have been unfair to Mr M under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've already explained, I'm satisfied NatWest did not lend irresponsibly or act unfairly in allowing Mr M to use his overdraft in the way that he did bearing in mind all of the circumstances. And I haven't seen anything to suggest that s140A CCA would, given the facts of this complaint, lead to a different outcome here.

So 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 2 March 2026.

Jeshen Narayanan  
**Ombudsman**