

The complaint

Mr C complains that Nationwide Building Society (“Nationwide”) acted irresponsibly when it failed to notice he was struggling financially and over reliant on his overdraft during its annual reviews.

Mr C also complains about Nationwide granting him a credit card but this is subject of a separate complaint and my decision here focusses on Mr N’s overdraft complaint.

What happened

Mr C has held a Nationwide current account since 2012 and his overdraft limit has increased over the years to the last increase in October 2019 to £2,000.

In December 2024 Mr C complained to Nationwide that it had failed to recognise, when it conducted its annual reviews, that this overdraft wasn’t affordable and he was struggling financially.

On 30 January 2025 Nationwide sent Mr C a final response letter (“FRL”). Under cover of this FRL Nationwide said it was satisfied it hadn’t done anything wrong and that Mr C had sufficient credit coming into his account. Nationwide said there was non-essential spending visible on Mr C’s account and it didn’t uphold the complaint. Unhappy with the FRL, Mr C brought his complaint to our service.

Mr C’s complaint was considered by one of our investigators who upheld it, coming to the view that Nationwide hadn’t treated Mr C fairly.

Nationwide didn’t agree and so this complaint has been passed to me for review and 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 done so, I can confirm that I’ve come to the same overall conclusion as the investigator and for broadly the same reasons.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No courtesy 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 to base my decision on the balance of probabilities.

Mr C has confirmed his complaint about Nationwide is about it failing to identify he was struggling financially by September 2021 (when it issued him with a credit card). And so as the last increase in credit limit took place in October 2019 when the limit was increased to £2,000, I haven't considered the lending decisions and have instead focussed on how Nationwide have treated Mr C in monitoring his overdraft usage.

Did Nationwide monitor Mr C's repeated use of his overdraft?

The regulations put the onus on lenders that an overdraft isn't generally suitable for long term use. So as well as needing to act responsibly when it took the decision to grant the overdraft – ensuring that the overdraft was sustainably affordable without the need for Mr C to borrow more – Nationwide also needed to monitor and review his overdraft usage. And where it identified a pattern of repeat usage, as with Mr C's account, it needed to take steps to try and reduce it. And on balance, I'm not satisfied that Nationwide did this when it sent him repeat usage letters but failed to take a more proactive approach.

Nationwide identified Mr C as a repeat user when it sent him repeat users letters to him from March 2020. These letters highlighted the cost of using his overdraft repeatedly and made Mr C aware of support options if he was struggling.

From the statements provided I can see that from around October 2021, Mr C was in the main, constantly at the upper levels of the agreed limit and at times also exceeded it (June 2021).

The regulations that cover overdrafts also make a distinct difference to the options a business has to consider between consumers that are repeat users of the overdraft AND show signs of financial difficulty, and those that don't. And although it's clear that Mr C was clearly a repeat user, Nationwide considers that there wasn't any obvious evidence of financial difficulty. But I disagree.

Although there may not have been any obvious evidence from Mr C's credit file that Mr C may be in financial difficulty, I think looking at his current account statements and how Mr C was managing his overdraft, this tells a different story. By the October 2021 review, Mr C was in the main constantly overdrawn and at times exceeded the authorised limit. As overdrafts are meant to be for short term borrowing, I don't think Mr C was managing this credit as intended and was over reliant on the facility. This hardcore borrowing, which resulted in additional interest, fees and charges was contributing to Mr C being in a cycle of debt.

Nationwide has commented on additional payments being made into Mr C's account by third party creditors after he changed jobs and his pay decreased significantly in October 2021 (and he didn't receive any income in August or September 2021). Mr C has explained these payments were for rent from joint tenants he shared a house with and this is corroborated by the fact £1,800 was paid out each month from his account towards rent. So I don't think Nationwide were right to consider these payments as additional income as they were transferred to Mr C in order for him to make a combined rent payment for their rental.

The letters Nationwide sent to Mr C invited him to speak if he had any questions or concerns. Because Mr C didn't phone the bank after receiving the letters Nationwide doesn't think it did anything wrong as it believes the onus was on Mr C to contact it. I disagree. In the first instance, I don't think a letter that highlights the cost of the facility is the same thing as something which indicates the business needs to consider further options due to potential

over reliance on the facility. And I think Nationwide should have been in contact with Mr C about removing the facility, or at the very least reducing it to a more manageable limit. So I think Nationwide should have taken a more proactive approach.

So I don't think Nationwide acted fairly when it failed to take further appropriate action to reach out to Mr C at the time of the annual review in October 2021.

Did Nationwide act unfairly in any other way?

I've also considered whether Nationwide have acted unfairly or unreasonably in any other way and if an unfair relationship existed between Nationwide and Mr C, as defined by section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I've directed above results in fair compensation for Mr C 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.

Putting things right

Nationwide should:

- Re-work Mr C's current overdraft balance so that any additional interest, fees and charges applied from October 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Nationwide should contact Mr C to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr C's credit file, it should backdate this to October 2021.

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 C, along with 8% simple interest (yearly) on the overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Nationwide should remove any adverse information from Mr C's credit file.*

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

My final decision

My final decision is that I uphold this complaint. Nationwide Building Society should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 29 December 2025.

Paul Hamber
Ombudsman

