

The complaint

Mrs M complains that The Royal Bank of Scotland Plc (“RBS”) acted irresponsibly when it failed to monitor her overdraft usage over a number of years.

What happened

Mrs M has held a current account with RBS since October 2004, initially as a student. The last overdraft increase was in December 2013 when it was increased from £1,400 to £1,750 where it has remained. Both parties have agreed that we consider how Mrs M was treated over the last six years.

In February 2025 Mrs M complained to RBS that it failed to monitor her use of the facility including periods when she was facing financial difficulty.

On 11 March 2025 RBS issued Mrs M with a final response letter (“FRL”). Under cover of this FRL, RBS explained that Mrs M had met its affordability criteria for the overdraft limit increases and that it had sent her letters regarding her overdraft usage and to offer support and it said it wasn’t upholding her complaint.

Unhappy with RBS’s FRL, Mrs M brought her complaint to our service. One of our investigators didn’t uphold it concluding that RBS had acted fairly.

Mrs M didn’t agree and so the complaint has been passed to me for review and decision.

On 29 October 2025 I issued a provisional decision on this case. In summary I said:

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’ve reached a different conclusion as that of our investigator and don’t think RBS has acted fairly in this case.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy 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.

I won’t be considering the initial granting of the overdraft limit or the subsequent credit limit increases but will be concentrating on whether RBS has treated Mrs M fairly over the last six years in accordance with Mrs M’s wishes.

RBS's responsibility to monitor Mrs M's overdraft usage

The regulations say 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 Mrs M an overdraft – ensuring that the overdraft was sustainably affordable without the need for Mrs M to borrow more – RBS also needed to monitor and review her overdraft usage. And where it identified a pattern of repeat usage, it needed to take steps to address that usage.

On the whole, Mrs M wasn't constantly overdrawn over a 12 month period, which the regulations suggest may indicate financial difficulty. It appeared that Mrs M was in the main, using the overdraft as it was intended, for short term borrowing with the account returning to a credit balance for a period of time.

However, RBS were able to see how Mrs M had managed her account over the years. And it recognised that Mrs M had become more dependent on her overdraft when it sent her several letters regarding her overdraft use over the last five years since October 2020. These letters highlighted the cost of using her overdraft repeatedly and made Mrs M aware of support options if she was struggling. RBS said it didn't have any evidence of any annual reviews it conducted, as we would expect it to have done but had continued to send these letters to Mrs M but without a response.

From the statements provided I can see that from around October 2020, Mrs M was constantly at the upper levels of the agreed limit and at times also exceeded it (December 2020). And from the evidence I've seen, the credits coming into Mrs M's account, were in the main, unable to return the account to a credit balance for a sustained period. For example, in October 2020 Mrs M's account never entered a credit balance and then only for a few days in the preceding months.

The regulations that cover overdrafts 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 I think that by the December 2021 review (after sending Mrs M further usage letters in October 2020 and February 2021), it should have been obvious that Mrs M was struggling financially and was dependent on hardcore borrowing in the form of her overdraft. I say this as from December 2020, she was in the main constantly overdrawn, the credits going into her account were insufficient to return it to a credit balance for a sustained period and she was nearing the upper limits of her limit and exceeded it in December 2020. And I think the additional charges, fees and interest were adding to this persistent cycle of debt. Mrs M also told us that she had to take out further credit with RBS in order to help her financial situation and was also using credit card transfers. And I can see from her credit file that Mrs M took out a loan with RBS in 2019 paying back £195 a month and so was using debt to pay back debt which in itself is a sign of financial difficulty.

The letters that RBS sent to Mrs M invited her to speak if she had any questions or concerns. Because Mrs M didn't phone the bank after receiving the letters RBS doesn't think it did anything wrong as it believes the onus was on Mrs M 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. So when Mrs M didn't contact RBS after the letters it sent her, I think it should have done more to try and contact her to consider other options such as removing the facility, or at the very least reducing it to a more manageable limit. So given the financial difficulties Mrs M was facing at this time, I think RBS should have taken a more proactive approach. I note that contact was made with Mrs M in May 2023 when she spoke with RBS's financial health and support team but I think this was a case of 'too little, too late'

as there were already signs of financial difficulty at the later stages of 2020 and throughout 2021.

So I don't think RBS acted fairly when it failed to take further appropriate action to reach out to Mrs M at the time of the annual review in December 2021.

Did RBS act unfairly in any other way?

I've also considered whether RBS have acted unfairly or unreasonably in any other way and if an unfair relationship existed between RBS and Mrs M, 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 Mrs M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

I then explained what RBS should do to fairly and reasonably compensate Mrs M.

Mrs M agreed with my provisional decision but RBS didn't respond.

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.

As I don't have any new material evidence to consider and Mrs M has accepted my provisional findings I can confirm that I have no reason to depart from them and I confirm them as final.

My final decision

My final decision is I uphold this complaint against The Royal Bank of Scotland Plc, who must now:

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

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, The Royal Bank of Scotland Plc should contact Mrs M to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mrs M's credit file, it should backdate this to December 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 Mrs M, 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 The Royal Bank of Scotland Plc should remove any adverse information from Mrs M's credit file.*

*HM Revenue & Customs requires RBS to take off tax from this interest. The Royal Bank of Scotland Plc must give Mrs M a certificate showing how much tax it's taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 11 December 2025.

Paul Hamber
Ombudsman