

The complaint

Miss A says that National Westminster Bank Plc ('NatWest') irresponsibly provided her with an overdraft facility she couldn't afford to repay sustainably.

What happened

In August 2011 NatWest agreed to provide Miss A with a student overdraft facility of £500 to be used with her student current account. There followed a number of credit limit increases from January 2012 with the limit reaching £2,000 by April 2015. During this time the account was interest free.

In February 2017, the account moved from being a student account to a select account. At this point Miss A applied and was approved for an overdraft limit of £1,800.

The account once again became a student account in June 2018 when she became a student for a further period of time. It remained that way through the further series of limit increases that were made, with the overdraft limit reaching £2,000 by July 2022. Again, during this time the account was interest free.

Miss A, who started her complaint with NatWest in October 2024, says that NatWest acted irresponsibly in providing her with an unaffordable overdraft facility and the increases that followed and so worsened her financial position.

NatWest says that it followed its correct procedures in providing each overdraft facility.

NatWest also said that Miss A had made her complaint too late under our time limit rules. It said this was because it was more than six years since she'd had to pay interest on her overdraft and the regular bank statements it sent were enough for Miss A to have realised there might be a problem for which NatWest could be at least partly responsible.

Our investigator told NatWest we could look into the merits of the complaint from when the overdraft was first added to the account. This was on the basis that Miss A's complaint could be interpreted as being about an unfair credit relationship as described in Section 140A of the Consumer Credit Act 1974 (s140), which is in time under the rules. But, having looked into the merits of the complaint, she couldn't find sufficient evidence or information to make an uphold finding for any part of the complaint.

As Miss A doesn't agree, her complaint has been passed to me for a final 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.

Unfair relationship considerations

There are time limits for referring a complaint to the Financial Ombudsman Service, and NatWest has suggested that part of this complaint was referred to us too late because the

decision to lend took place more than six years ago, as did the incurring of some of the overdraft charges and interest.

However, our investigator explained why it was reasonable to interpret the complaint as being about an unfair relationship as described in Section 140A of the Consumer Credit Act 1974, and why this complaint about an allegedly unfair lending relationship had been referred to us in time.

Seeing as I've decided not to uphold Miss A's complaint and given the reasons for this (which I'll go on to explain), whether Miss A referred her complaint about the specific lending decision that happened more than six years ago in time or not has no impact on that outcome. Like our investigator, I think Miss A's complaint should be considered more broadly than just the decision to grant the credit, seeing as she has complained not just about the decision to lend but also the impact this had on her over the course of her relationship with NatWest. Miss A's complaint in this respect can therefore reasonably be interpreted as a complaint about the fairness of her relationship with NatWest. I acknowledge that NatWest may still not agree we can look at the complaint, but given the outcome I have reached, I don't intend to comment on this further.

In deciding what is fair and reasonable, I am required to take relevant law into account. Because Miss A's complaint can be reasonably interpreted as being about the fairness of her relationship with NatWest, the relevant law in this case includes s.140A, s.140B and s.140C of the Consumer Credit Act 1974 ("CCA").

S.140A says that a court may make an order under s.140B if it determines that the relationship between the creditor (NatWest) and the debtor (Miss A), 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 their 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.

S.140B 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 what Miss A has complained about, I therefore need to think about whether NatWest's decision to provide Miss A with overdraft credit or its later actions created unfairness in the relationship between her and NatWest, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove that unfairness.

Miss A's relationship with NatWest is therefore likely to be unfair if it didn't carry out proportionate affordability checks that might have shown the provision of overdraft credit to be irresponsible or unaffordable, and if it didn't remove that unfairness if the overdraft went on to become unsustainable or otherwise harmful.

Was NatWest's decision to provide an overdraft facility and the increases that followed reasonable and proportionate?

When assessing affordability, there wasn't a set list of checks that NatWest needed to complete, but they needed to be borrower focussed and proportionate to things like the type of lending, its cost, Miss A's level of reliance on it and how long it would take her to sustainably pay it off.

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.

Unfortunately, NatWest says that the original paperwork for each of the applications and lending decisions is no longer being held. But it says the credit searches didn't show any adverse markings, such as regular missed payments or accounts going into default. I haven't seen those checks for myself and nor did our investigator.

Before agreeing the overdraft, I would have expected NatWest to look into Miss A's financial situation. Given that she was a student at the time, that search would be focused on what she had told the bank about herself, her history as a customer of the bank, plus what a check with a credit reference agency would show. It also says it carried out an affordability check, using statistical information to get an idea of what her monthly spending commitments were likely to be. Again, I haven't seen these checks.

Although the initial overdraft limit of £500 was relatively modest, Miss A was a student and so had limited income. And this was early in the lending relationship. Miss A was likely to have been approved for the increases to the overdraft that followed based at least in part on how she'd managed her existing overdraft. However, without more detail about the checks, I can't say the checks were proportionate.

What would reasonable and proportionate checks have shown about Miss A's ability to repay the overdraft facility in a sustainable way for each lending decision?

As we've only been given bank statements from 2 January 2018 onwards that's all we can comment on. To be clear, that means in terms of what happened from August 2011 up until January 2018, without having seen bank statements or something equivalent, like our investigator I'm unable to make a finding about the affordability of the levels of overdraft that were granted during this time.

In terms of what I can see going forwards from January 2018, I'm in broad agreement with what our investigator found:

- Based on the income Miss A was receiving between January 2018 and January 2019, the relatively low overdraft limits of less than £250 looked to be affordable.
- Noting the overdraft limit changes that NatWest approved between January 2019 and April 2019, Miss A would be left with a reasonable amount of disposable income in the region of £1,200. So, all of the increases looked to be affordable.
- From April to June 2019, our investigator noted only limited details about Miss A's income. I've seen some payments going into her account plus her student loan

payment. But I don't see evidence to suggest financial stress.

- Going forward from then to June 2022, I can see that Miss A was receiving income from various sources. There is a regular monthly income from September 2019 that typically varies between £1,500 and £1,700, rising to £1,800-£1,900 from September 2021, and reducing slightly in late 2023. I don't see overdraft charges or fees, which is consistent with the student status of the account.

Taking all of this into consideration, I don't think that NatWest's lending decisions in providing Miss A with an overdraft facility were unfair. I therefore don't think there was unfairness in the relationship between Miss A and NatWest regarding these lending decisions.

Did NatWest act unfairly in relation to Miss A's use of the overdraft facility?

I've looked at how Miss A made use of the available overdraft credit. I've kept in mind that NatWest was required to carry out regular reviews whilst the overdraft facility was available to her. Using an overdraft for long periods can sometimes suggest a customer is experiencing financial difficulty and that's what I'd expect NatWest to keep an eye on – especially whilst the account was a student account. So it needed to check that Miss A remained in a position to be able to repay what she owed within a reasonable period of time.

I've also kept in mind that whilst the account retained its student status, Miss A wouldn't be paying any fees, charges or interest. So, in that respect she wasn't losing out.

The bank statements I've seen were helpful for understanding what information NatWest might have seen at the time of some of the lending decisions. Again, I've only seen bank statements dating from January 2018 onwards.

Miss A was making regular use of her overdraft. As I've said, she kept within her overdraft limits for the vast majority of the time. She also adjusted her limits when she needed to be less reliant on it, as when she reduced it to less than £1,000 between January 2018 and April 2019 and again between June 2020 and June 2021.

I've also noted the transfers being made back and forth between this and her savings account. Miss A has explained that she moved across funds from this when it was necessary and that it didn't represent additional income.

So I've gone on to think about whether NatWest needed to do more to help and support Miss A than it already did.

I've seen that there were times when she was making more use of the facility than others. There were also certainly periods when she was making heavy use of it. I've looked for clear signs that Miss A might have been getting into financial difficulty, to the extent that maintaining an overdraft at this level was unsustainable. I do appreciate that there were times – and it may even have been often – when Miss A may have felt she was becoming financially stretched and was having to be extra careful with her money as a result.

I've also looked at the level of payments into the account. Even allowing for the variations in her income that were noted by our investigator, I can't see signs that her financial position

might have been at risk of deterioration. For example, I don't see regular returned payments or reliance on high-cost loans.

Over time, I think Miss A could have taken steps to steadily reduce her overdraft reliance. I say this having noted the level of non-essential spending on her account. What I don't consider I'm able to say is that the level and frequency of transactions suggests that Miss A's overall circumstances meant that NatWest ought to have intervened more actively – for example by reducing her overdraft or removing it completely. She was able to take out credit to finance other borrowing, such as a car finance and car running costs, and looked to have taken on a regular monthly payment of what looks to be a mortgage in late 2021. And from late 2020 onwards, I've noticed she was moving money into an ISA from time to time.

As things stood, I don't think there was enough to show or suggest that Miss A's financial circumstances were at significant risk of deterioration. I therefore can't say that NatWest ought to have taken further action than it already did in the course of her being a NatWest customer.

To summarise, I think it was reasonable for NatWest to have approved the overdraft and to continue to provide it. I therefore don't find that Miss A's relationship with NatWest is currently unfair. It's not clear enough to me that NatWest created unfairness in its relationship with Miss A by lending to her irresponsibly. And I don't find NatWest treated Miss A unfairly in any other way, based on what I've seen.

I realise this outcome will be disappointing for Miss A. But I hope she will understand the reasons for my decision and that she will at least consider her concerns have been listened to.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 22 October 2025.

Michael Goldberg
Ombudsman