

The complaint

Ms J complains that National Westminster Bank Public Limited Company lent to her irresponsibly.

What happened

Ms J has had an overdraft on her current account with NatWest since 2005. It started as a student account and was interest free until it was transferred to a Select Account in December 2019. At that point, the overdraft limit was £1,600 and interest began to be payable on it.

On 5 November 2024, Ms J complained to NatWest. She said she had been unable to clear the overdraft and the bank should have done more to help her. Ms J acknowledged that the overdraft had been agreed a long time ago and had been free of charge for her to use. So she focussed her complaint on the lack of support since charging began in December 2019. To resolve her complaint, Ms J asked NatWest to refund all the charges and interest she'd paid on the account.

NatWest looked into Ms J's complaint and issued a final response letter. It said it felt it had lent responsibly at the outset while she was a student, and her overdraft limit had reached £1,600 by February 2008. It said it didn't manually monitor customer's accounts, so it was her responsibility to contact it if she was struggling and needed support. But it said it does check on customers circumstances from time to time using credit reports, and that it does communicate regularly with customers who are using overdrafts. It said it had written to her regularly outlining the charges and interest she was paying and offering support if it was needed. NatWest didn't uphold Ms J's complaint.

Ms J didn't accept NatWest's response, so she referred her complaint to our service. One of our investigators looked into it. He reviewed Ms J's account statements and noted her income and expenditure. He said she had a reasonable level of income coming into the account and she made regular transfers to a savings account before transferring the money back. On some occasions there was money left in the savings account which could have been used to reduce or repay the overdraft. Ultimately, he felt that Ms J could have sustainably repaid the overdraft in a reasonable period of time.

Ms J didn't agree with our investigator's opinion of the complaint, so as there was no agreement, the complaint has been passed to me for a 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.

Ms J has accepted that as the initial borrowing was so long ago and didn't directly cost her anything, our assessment of the complaint should focus on the period since she began to accrue charges – that is December 2019. Therefore, I'll not dwell on NatWest's decision to agree the student facility, rather I'll look at the ongoing monitoring of the account.

The rules lenders must follow with regards to monitoring overdrafts are set out in the Consumer Credit Sourcebook (CONC) specifically in the CONC 5D section which came into force in December 2019 – just as Ms J's account began to attract charges and interest.

CONC 5D.2 sets out a lender's obligation to identify and monitor repeat use of overdrafts and CONC 5D.2.1 says:

“A firm must establish, implement and maintain clear and effective policies, procedures and systems to:

- (1) monitor and review periodically the pattern of drawings and repayments of each of its customers under an arranged overdraft or an unarranged overdraft, and other relevant information held by the firm; and*
- (2) identify, by reference to an appropriate collection of factors, any customers in respect of whom there is a pattern of repeat use, and then sub-divide those customers into the following two categories:*
 - (a) customers in respect of whom there are signs of actual or potential financial difficulties;*
 - (b) all other customers who show a pattern of repeat use (that is, all customers within CONC 5D.2.1R(2) who are not in category (a)).”*

CONC 5D.3 sets out interventions to be taken in case of repeat overdraft users and goes on to set out what banks can do in cases where it identifies actual or potential financial difficulties. It's important to note that simply using an overdraft isn't sufficient on its own to trigger these actions – there must also be signs of actual or potential financial difficulties.

So it's clear that NatWest has a duty to monitor Ms J's overdraft usage, and it's said it communicates regularly with overdraft users and monitors their accounts and credit files looking for signs of difficulty.

To reach my decision, I've looked at the statements for Ms J's accounts to identify any signs of financial difficulty which I think NatWest should have picked up on, such that ought to trigger the actions suggested in CONC 5D.3.

I can see that Ms J used the overdraft consistently every month. By 2019, her regular salary was around £1,950 a month which would be sufficient to clear the overdraft. She would generally make a transfer on payday to her savings account which would have the effect of reducing her balance close to nil. Her expenses would then take her overdrawn again. There were no signs of particular financial difficulty I'd have expected NatWest to take action on – and of course, CONC 5D didn't start until the end of that year.

So I'd have expected NatWest to monitor Ms J's account annually from December 2020 onwards. In 2020, while she used her overdraft consistently, she didn't use all of it and there were no signs of pressure on the limit. She was earning around £1,769 a month – a decrease on 2019. But throughout the year, she had a minimum of £400 and up to £3,400 in her savings account, but generally in excess of £1,000. So I wouldn't have expected NatWest to think she was in financial difficulties at this stage.

During 2021, Ms J's income returned to £1,950 or so before increasing in the autumn to an average of £2,217 for the last four months of the year. She continued to use the overdraft consistently, but comfortably within the limit and there was generally a few hundred pounds in her savings account. While there were some payments for rent and bills, there was also a reasonable amount of discretionary expenditure. Again, I see no reason for NatWest to have thought she was in financial difficulty such that it ought to have intervened.

Throughout 2022, Ms J earned around £2,350 each month and in the last four months, her average income was £2,460 or so. Again, she continued to use the overdraft and her savings account routinely had several hundred pounds and up to £2,000. Ms J's spending included essential and discretionary expenditure but again, I don't see any particular signs of financial difficulty.

In 2023, Ms J was continuing to earn around £2,400 each month – and occasionally earned more (up to £3,500 in June which, given the nature of her employer I suspect was a back dated pay rise). Ms J continued to transfer money to her savings account, but she was reducing the balance to zero. Her current account continued to show a mix of essential and discretionary expenditure. While she was using more of the overdraft, given Ms J's earnings and discretionary expenditure, I don't think there were signs that she was in financial difficulty.

In 2024, Ms J's income had increased to over £2,750 a month. There were no consistent savings as transfers in were moved back out during the month. She was still using all of the overdraft each month, and there was no sustained savings acting as a buffer. So I think NatWest *might* have thought there was a *potential* for financial difficulties by December 2024 and could have taken a closer look at her situation.

Had NatWest done so however, I don't think it would have thought she was in difficulty. I say this because her account was moving back to credit each month before she made a transfer to her savings account, and her essential expenditure – rent, bills, food, travel etc – amounted to around £2,000 per month. I think this left enough disposable income to reduce and repay the overdraft over a reasonable period of time on a sustainable basis if she wished to do so.

Throughout the period from 2019 onwards, NatWest wrote to Miss J regularly highlighting the cost of the overdraft and offering support if she was struggling or needed assistance to reduce her overdraft usage. I think this is in line with the expectations set by CONC. I've seen nothing to suggest that she contacted NatWest for assistance until she made this complaint.

For the reasons I've already given, I don't think NatWest lent irresponsibly to Ms J or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A of the Consumer Credit Act 1974 would, given the facts of this complaint, lead to a different outcome here.

I appreciate my decision will come as a disappointment to Ms J. If she finds herself in financial difficulty, I encourage her to speak with NatWest to arrange a reasonable repayment plan. I remind NatWest of its obligation to treat customers in financial difficulty fairly.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 17 November 2025.

Richard Hale
Ombudsman