

The complaint

Miss T complains that National Westminster Bank Public Limited Company (“NatWest”) acted irresponsibly when it granted her an overdraft facility and that it failed to monitor her usage to identify when she was in financial difficulty

What happened

Miss T was initially granted an overdraft facility by NatWest in April 2022 with a £2,250 limit.

In July 2025 Miss T complained to NatWest that it had been irresponsible in granting her the overdraft and had failed to monitor her overuse of the facility when she was in financial difficulty.

On 23 July 2025 NatWest issued Miss T with a final response letter (“FRL”). Under cover of this FRL, NatWest explained that Miss T had met its affordability criteria for the overdraft limit and it said it wasn’t upholding her complaint.

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

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

On 27 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 NatWest 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.

Did NatWest conduct proportionate checks prior to making its lending decision?

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.

So before agreeing to approve the credit available to Miss T, NatWest needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but aren't limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect NatWest to think about Miss T's ability to repay the whole borrowing in a reasonable period.

The only guidance within the regulations about what constitutes a reasonable period of time is that the lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. So in these circumstances, given the overdraft limit of £2,250, I would consider 12-18 months to be a reasonable period of time to repay the whole of the borrowing and which equates to £187 to £125 a month respectively (although this doesn't include interest, fees or charges).

When Miss T applied for the facility in April 2022, she declared she worked full time and was receiving a monthly net income of £1,500. She also declared that she had no housing costs or existing debt repayments. NatWest said based on these figures, together with the fact that there was no adverse information on her credit file, it was satisfied that Miss T had a sufficient disposable income to be able to afford an overdraft of £2,250.

We asked Miss T for a copy of her credit report so we could see the sort of information NatWest would have seen when it approved this facility which she has kindly provided. And from the information I've seen, there was nothing on Miss T's credit file which suggested the overdraft wouldn't have been either affordable or sustainable going forward. There was no outstanding credit debt at the time of application nor any adverse information such as defaults or delinquencies. And so on balance, I think given the amount of credit afforded to Miss T, the checks NatWest conducted were proportionate and it made a fair lending decision.

NatWest's responsibility to monitor Miss T'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 Miss T an overdraft – ensuring that the overdraft was sustainably affordable without the need for Miss T to borrow more – NatWest 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.

Up until late 2024, Miss T wasn't constantly overdrawn over a 12 month period, which the regulations suggest may indicate financial difficulty. It appeared that Miss T 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. And I haven't seen any evidence from Miss T's credit file of any adverse information that would have suggested to NatWest, that Miss T was in financial difficulty (such as defaults, delinquencies or county court judgements).

However, NatWest were able to see how Miss T had managed her account from her monthly statements. And it recognised that Miss T had become more dependent on her overdraft

when it sent her several letters and text messages regarding her overdraft use from as early as April 2024. These letters highlighted the cost of using her overdraft repeatedly and made Miss T aware of support options if she was struggling.

From the statements provided I can see that from around October 2024, Miss T was constantly at the upper levels of the agreed limit and at times also exceeded it (February 2025). And from the evidence I've seen, the credits coming into Miss T's account including benefits, were in the main, unable to return the account to a credit balance.

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 April 2025 review, it should have been obvious that Miss T was struggling financially and was dependent on hardcore borrowing in the form of her overdraft. I say this as from October 2024, she was in the main constantly overdrawn, the credits going into her account were insufficient to return it to a credit balance and she was nearing the upper limits of her limit and exceeded it in February 2025. And I think the additional charges, fees and interest were adding to this persistent cycle of debt.

The letters and texts NatWest sent to Miss T invited her to speak if she had any questions or concerns. Because Miss T didn't phone the bank after receiving the letters NatWest doesn't think it did anything wrong as it believes the onus was on Miss T 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 you may be misusing the facility. And I think NatWest should have been in contact with Miss T about removing the facility, or at the very least reducing it to a more manageable limit. So given the financial difficulties Miss T was facing at this time, I think NatWest should have taken a more proactive approach.

So I don't think NatWest acted fairly when it failed to take further appropriate action to reach out to Miss T at the time of the annual review in April 2025.

Did NatWest act unfairly in any other way?

I've also considered whether NatWest have acted unfairly or unreasonably in any other way and if an unfair relationship existed between NatWest and Miss T, 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 Miss T 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 NatWest should do to fairly and reasonably compensate Miss T.

NatWest accepted my provisional findings as did Miss T but on the proviso that I reconsider my recommendations. Miss T said she wanted redress that reflected the full impact this matter had on her. She requested a full refund of all interest and charges applied to the overdraft since it was granted, removal of all adverse information from her credit file and the overdraft balance to be written off.

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.

And whilst I acknowledge Miss T's further comments regarding reconsidering my provisional findings recommendations, having done so, I've not changed them. I say this as I only upheld this complaint from April 2025 and my recommendations were in line with how we approach compensation in irresponsible lending complaints.

So with the above in mind and given that I have no new material evidence to consider, I can confirm that I have no reason to depart from my provisional decision and I now confirm it as final.

My final decision

My final decision is I uphold this complaint against National Westminster Bank Public Limited Company. National Westminster Bank Public Limited Company must:

- Re-work Miss T's current overdraft balance so that any additional interest, fees and charges applied from April 2025 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, National Westminster Bank Public Limited Company should contact
- Miss T to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss T's credit file, it should backdate this to April 2025.

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 Miss T, 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 National Westminster Bank Public Limited Company should remove any adverse information from Miss T's credit file.*

*HM Revenue & Customs requires NatWest to take off tax from this interest. National Westminster Bank Public Limited Company must give Miss T 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 Miss T to accept or reject my decision before 8 December 2025.

Paul Hamber
Ombudsman