

The complaint

Mr F complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) failed to notice he was experiencing financial difficulties when it reviewed his personal current account overdraft facility.

What happened

Mr F has had a personal current account with NatWest for several years. In 2013, NatWest granted Mr F an overdraft facility. The initial credit limit was £750. The credit limit was increased several times, finally to £2,000 in 2014 as part of NatWest's student and graduate accounts.

In September 2023, Mr F entered a debt management plan with the support of a third party debt charity. In November 2024, the account was sold to a third party debt collection agency.

In 2025, Mr F complained that the personal current account overdraft had been unaffordable for him. He also complained about the interest and charges applied to the account, and that NatWest had failed to notice he was experiencing financial difficulties when it reviewed his personal current account overdraft facility.

In its final response letter, NatWest said it thought it had acted responsibly. It therefore didn't uphold Mr F's complaint.

Mr F was unhappy with NatWest's response and referred his complaint to our service.

One of our Investigators considered Mr F's complaint. In its response to our service, NatWest said that it thought that as the granting of the personal current account overdraft facility and all of the subsequent credit limit increases occurred more than six years before Mr F raised the complaint, it had been brought outside the time limits set by the regulator.

Mr F clarified to our Investigator that, as interest and charges were only applied to the account from October 2021, he only wanted our service to consider what had happened from that date onwards.

In summary, our Investigator thought that NatWest should have stepped in October 2022 as there were signs Mr F was experiencing actual or potential financial difficulties. To resolve things, our Investigator recommended that NatWest re-work the account to refund fees and interest charged, arrange a repayment plan for any remaining balance, and amend Mr F's credit file once the balance was fully repaid.

Mr F accepted the Investigator's opinion. NatWest disagreed, so the complaint comes to me to decide.

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.

Firstly, as our service has only considered NatWest's actions from October 2021 onwards, I'm satisfied that the complaint has been brought within the time limits set by the regulator.

I've considered the relevant rules and guidance on responsible lending set by the regulators, laid out in the consumer credit handbook (CONC). In summary, these say that NatWest had a duty to regularly review the overdraft to ensure it remained affordable for Mr F.

If NatWest identified that Mr F had a pattern of repeat use of his overdraft, it had a duty to contact him – and to continue to attempt to contact him if he didn't respond. If NatWest also identified that Mr F showed signs of actual or potential financial difficulties, and Mr F didn't respond to its attempts to contact him, NatWest also had a duty to take further steps after a reasonable period.

NatWest was entitled to charge fees and interest, in line with the account terms and conditions. But if Mr F notified it, or if it recognised, that he was experiencing financial difficulties, then it should have taken steps to support him, which may have included freezing fees and interest for a period of time.

NatWest has said it reviewed the overdraft facility monthly.

Mr F had been using his overdraft continuously since at least June 2019, and it was generally close to its limit from October 2021 onwards. From October to March 2022, the account went over the agreed credit limit each month. Mr F only typically transferred enough funds into the account to bring it back under its limit. Mr F continued to incur overlimit and unpaid transaction fees from March 2022 onwards.

By that point, Mr F was spending very little from the account. When he had been spending from the account, it appears that he largely used it for discretionary spending. Mr F was having his salary paid into a different account. So it doesn't appear that NatWest had information about his income and essential expenditure. And I think that by consistently only transferring enough into the account to bring it just under its credit limit, Mr F was exhibiting signs of financial difficulties.

Overdrafts are generally intended for short-term, emergency borrowing, which isn't how Mr F was using his overdraft with NatWest. NatWest had a duty to review Mr F's personal current account overdraft periodically to ensure it was still appropriate for him.

NatWest sent Mr F persistent usage emails periodically. These emails flagged to Mr F that he was using the overdraft a lot; that it was an expensive way to borrow, and said that he could call NatWest if he was experiencing financial difficulties.

I don't think NatWest did enough here. I think it should have stepped in to gradually reduce Mr F's overdraft limit from October 2022 onwards, given the signs of financial difficulty displayed. I think there was scope for that – without putting him into financial hardship taking into account some of his discretionary spending. And I think that would have been proportionate to the signs of financial difficulty I've mentioned.

In saying that, I acknowledge that Mr F appears to have not responded to several emails from NatWest about his overdraft. However, had NatWest let her know it was going to take action in reducing his limit, I think it likely he would have responded at that point, and been forced to address the situation.

Putting things right

Finding the fair and reasonable way to put things right in this situation is not straightforward. What NatWest ought to have done is begin to reduce Mr F's overdraft limit from October 2022. And so, the amount of interest he was paying ought also to have gradually reduced. However, reconstructing the pace and trajectory of those reductions several years later is simply not feasible.

Taking into account my role to resolve complaints quickly and with the minimum of formality, and also my ability under Section 229 (2) (b) of the Financial Services and Markets Act 2000 to award what I consider to be fair compensation, I think the fairest outcome is for NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY to liaise with the third party debt collection company to buy back the debt. It should then:

- Rework Mr F's current overdraft balance so that all interest, fees and charges applied to it from January 2019 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, NatWest should contact Mr F to arrange a suitable repayment plan.

Mr F is encouraged to get in contact with and co-operate with NatWest to reach a suitable agreement for this. If it considers it appropriate to record negative information from Mr F's credit file, it should reflect what would have been recorded if NatWest had begun to reduce Mr F's overdraft limit from October 2022.

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 F along with 8% simple interest on 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 NatWest should remove any adverse information from Mr F's credit file. NatWest can also reduce Mr F's overdraft limit by the amount of the refund if it considers it appropriate to do so.

I've also considered whether NatWest's actions have meant there's an unfair relationship between it and Mr F. However, I'm satisfied the redress I have directed above results in fair compensation for Mr F 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.

My final decision

My final decision is that I uphold this complaint. To put things right, NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY should take the steps outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 6 March 2026.

Frances Young
Ombudsman