

The complaint

Mrs H complains that Nationwide Building Society ('Nationwide') acted irresponsibly when it provided her with an overdraft facility. She says the overdraft became unaffordable and that Nationwide failed to take action to support her when she asked for help. She has asked for the interest and charges incurred on the overdraft to be refunded.

What happened

In August 2019 Mrs H was accepted for an initial overdraft on her current account of £2,000. She'd been using the overdraft since 2017 but for the purposes of this decision, the period she is complaining about started in 2019. The overdraft was reduced twice in April 2020, going down to £1,750 and the £1,500. Then, in May 2020 it was increased to £2,000 in three stages before being reduce back to £500 in November 2020. Finally, the overdraft was increased again to £2,000 in November 2020.

Mrs H entered a debt management plan in May 2023.

Mrs H says by 2021 she had been using her overdraft constantly for many months and wasn't able to reduce it with her monthly salary. She says this shows she was in financial difficulty due to 'hardcore borrowing.' She also says she contacted Nationwide for help but wasn't given the help and support she needed.

Nationwide didn't uphold Mrs H's complaint. It said, having reviewed the account since the overdraft was first granted, that there wasn't any evidence of a change in circumstances, plus there was significant evidence of non-essential spending

One of our investigators reviewed what Mrs H and Nationwide said. And whilst she thought Nationwide hadn't acted unfairly when agreeing to increase Mrs H's overdraft on each occasion, she thought by November 2023 it should have taken active steps to intervene to help her reduce her level of reliance on her overdraft.

Nationwide disagreed with our investigator. Essentially, it said it wrote to Mrs H in 2023 and then 2024 inviting her to discuss her overdraft usage and seek support. They also said that in the three months before November 2023 there was a significant level of income that could have been used to reduce the overdraft. And it said this occurred again between November 2023 and January 2024. It also said that the level of continuing non-essential spending during this period didn't suggest the overdraft was unaffordable. Finally, Nationwide says that Mrs H didn't contact Nationwide to seek help with her overdraft.

As our investigator, having considered Nationwide's points, didn't change her view, the complaint has now 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.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide this complaint.

Having done so, I will be upholding this complaint on the same basis as our investigator. I will explain why.

Nationwide needed to make sure it didn't lend irresponsibly. In practice, what this means is Nationwide's checks had to be reasonable and appropriate and sufficient to understand whether Mrs H could afford to sustainably repay the overdraft credit it provided.

Nationwide carried out a series of checks before approving each overdraft increase. This included running a credit check and looking at her previous borrowing history with Nationwide.

Our investigator has said that each of the lending decisions were fair. Having reviewed the available evidence and information about each opening, I broadly agree. Based on Mrs H's income and what could be seen of her financial situation, an overdraft of up to £2,000 looked likely to be affordable. And each decision was made against a background of a good credit history with no significant adverse markings on her credit file.

But that still leaves me to consider the question of whether Nationwide did enough to monitor and review the account.

Nationwide says Mrs H had agreed to reduce her overdraft in January 2018 when she went over the overdraft limit. Nationwide started sending her letters about her overdraft use in March 2020 and continued sending her letters about it each year after that. In September 2022 Mrs H told Nationwide that she would manage and reduce her overdraft use herself.

Looking at the bank statements, Mrs H is clearly in a pattern of repeat overdraft use going forwards from the November 2020 overdraft limit increase. The typical nature of the use is Mrs H using it for most of each month before returning to a brief period of positive balance after she'd been paid. That pattern of use isn't in line with the short-term or emergency need that an overdraft is intended for. Nationwide made her aware of her repeat borrowing by way of the letters it sent her. The FCA's Consumer Credit Sourcebook ('CONC') says that a business must continue to monitor such use, and if it continues must take steps to communicate with the consumer at least once a year.

I think that for some of the period I'm looking at that was happening with Mrs H. So on that basis Nationwide was doing what was required of it. I don't think there's enough – at least prior to May 2023 – to show or suggest that Mrs H was showing signs of actual or potential financial difficulties.

That changed, however, when Mrs H entered a debt management plan in May 2023. Nationwide's customer account data shows it was aware of this and the monthly payments to the debt manager could clearly be seen in her bank statements.

So I'm in agreement with our investigator that Mrs H's use of her overdraft didn't require additional intervention by Nationwide for the account reviews that took place in November 2021 and November 2022. But by the time of the November 2023 review, six months after being made aware that she was in a debt management plan, I think that in addition to persistent use of the overdraft, Nationwide was on clear notice that Mrs H's financial situation was at real risk of deterioration.

I understand Mrs H says she told Nationwide about the debt management plan and they took no action to help her. Unfortunately, we don't have further evidence of that particular communication. But I don't think it alters the essential position that by November 2023 Nationwide needed to do more than sending Mrs H letters about her overdraft to help her with managing and bringing down her overdraft.

I therefore agree with our investigator that the annual review in November 2023 represents a reasonable point by which I would have expected Nationwide to take action to ensure that Mrs H became less reliant on the level of overdraft available to her.

Having seen what Nationwide said in response to our investigator's findings, I would like to add that I don't accept that the level of Mrs H's income alongside her spending on items considered by Nationwide to be non-essential, materially changes the position. By November 2023, Mrs H's repeat and continuing reliance on her overdraft, combined with the fact that she had found it necessary to seek debt management help for her financial situation, was enough to require Nationwide to take further action than it had done already to support her and seek to change the pattern of her overdraft use. By that point, the obligation to help and support her had gone beyond sending her its standard letters about her overdraft usage.

I therefore don't consider that Nationwide acted fairly in allowing Mrs H to continue to operate her overdraft in the way she was using it from November 2023 onwards. It follows that I'm in agreement with our investigator that Nationwide didn't treat Mrs H fairly.

I've considered whether the relationship between Mrs H and Nationwide might have been unfair under S.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress that I have directed should be carried out for Mrs H results in fair compensation for her 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.

Putting things right – what Nationwide needs to do

Nationwide therefore needs to do the following:

- Re-work the overdraft balance so that all interest, fees and charges applied to it from November 2023 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Nationwide should contact Mrs H to arrange a suitable repayment plan for this.

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 H, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Nationwide should remove any adverse information from her credit file. †

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Mrs H a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons I've given, I am upholding part of this complaint and require Nationwide Building Society to put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 2 December 2025.

Michael Goldberg

Ombudsman