

The complaint

Mr T says that National Westminster Bank PLC ('NatWest') provided him with an overdraft that became unaffordable for him.

What happened

The overdraft was first provided in January 2005, with an overdraft limit of £500. In July 2021 it was increased to £4,000. Mr T says his complaint is focused on how NatWest managed his overdraft from early 2022.

The other details of this complaint are well-known to both parties, so I won't repeat them again here. The facts aren't in dispute, so I'll focus on giving the reasons for my 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 set out our general approach to complaints about unaffordable or irresponsible lending on our website and I've taken this into account in deciding Mr T's case.

To be clear, in this decision I am only looking at the six years before Mr T started his complaint. I note that Mr T says he is complaining primarily about the time since early 2022. But I am able to look at the six-year period before he started his complaint. That means, my being able to look at this complaint is against the background of this service's time limit rules and not as an unfair relationship as defined by S140A of the Consumer Credit Act 1974.

I've decided to uphold this complaint in part and on the same basis as our investigator. I'll explain why:

- I think the checks NatWest did before providing the overdraft limit increase in July 2021 were reasonable and proportionate, given what it knew about Mr T's financial situation at the time.
- Looking at how Mr T used the first overdraft going forwards, I would expect NatWest to be reviewing the account and the overdraft use on an annual basis, in or around July each year. I've seen that Mr T was making regular use of the overdraft facility going forward from around August 2021. In addition to his benefits income, he was also receiving some sporadic payments. He kept within his overdraft limit and there were times when he didn't need to rely on it at all. There was little suggestion of financial difficulty.
- By mid-2024 Mr T was using his overdraft much more heavily, with higher levels of indebtedness. I think, given that Mr T was having to manage with far greater reliance on just his benefits income, it looked increasingly unlikely that he would be in a position to pay off or significantly reduce his overdraft reliance.

- Given what I've seen, with a steadily increasing reliance on his overdraft, I think NatWest ought to have taken steps to intervene and support Mr T by July 2025 at the latest. A review would have shown a clear pattern of use for the previous year which was not in line with short-term or emergency need. Whilst he wasn't showing obvious indicators of financial difficulty, he was becoming 'locked in' to paying increasing charges in circumstances where there looked to be no reasonable prospect that he might be able to leave his overdraft or make substantial inroads into paying it off. And I don't think writing to him to make him aware of his overdraft use was enough.
- It follows that by July 2025 NatWest ought to have seen there was a real risk that Mr T would likely be unable to sustainably repay the overdraft. Had it carried out better checks at the time I think it's likely that NatWest would have been made aware of this.

This all means I don't think NatWest acted fairly in allowing Mr T to continue using his overdraft from July 2025.

I will also take this opportunity to remind NatWest of its obligation to continue to exercise forbearance and due consideration, given what Mr T has told us about his financial situation.

I've considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I'm awarding in this case, as set out below, results in fair compensation for Mr T in the circumstances of this complaint. I'm therefore satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

In this case, I think NatWest should now settle Mr T's complaint as follows:

- Re-work Mr T's current overdraft balance so that all interest, fees and charges applied to it from July 2025 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, NatWest should contact Mr T to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr T's credit file, it should backdate this to July 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 Mr T, 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 NatWest should remove any adverse information from Mr T's credit file. †

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr T a certificate showing how much tax it's taken off if he asks for one.

My final decision

My final decision is that I'm upholding this complaint in part and so National Westminster Bank PLC must put things right as set up above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 13 March 2026.

Michael Goldberg

Ombudsman