

## **Complaint**

Miss T has complained about the overdraft charges National Westminster Bank Public Limited Company (“NatWest”) applied to her current account. She’s effectively said the charges applied to her account were unfair as she shouldn’t have been given the overdraft and this caused ongoing financial difficulty.

## **Background**

Miss T originally applied for an overdraft in November 2005. NatWest accepted Miss T’s application and she was provided with an overdraft with an initial limit of £200. This limit was increased on a number of occasions until it reached £2,000.00 in February 2019.

In June 2025, Miss T complained saying that NatWest shouldn’t have given her this overdraft or increased her limit and doing so caused ongoing difficulty as charges were applied even when she was unable to afford them, which resulted in ongoing debt.

NatWest didn’t uphold Miss T’s complaint. It did not think that it had done anything wrong or treated Miss T unfairly. Miss T remained dissatisfied after NatWest’s response and referred her complaint to our service. When Miss T’s complaint was referred to our service, NatWest told us that we couldn’t consider part of it as it was made too late.

One of our investigators reviewed what Miss T and NatWest had told us. She reached the conclusion that we could look at the entire period Miss T had her overdraft for. However, she wasn’t persuaded that NatWest had acted unfairly by providing an overdraft, increasing the limit, or allowing Miss T to use her overdraft in a way that was unsustainable or otherwise harmful. So the investigator didn’t think that Miss T’s complaint should be upheld.

Miss T disagreed with the investigator and asked for an ombudsman’s decision.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

### *Basis for my consideration of this complaint*

There are time limits for referring a complaint to the Financial Ombudsman Service. NatWest has argued that Miss T’s complaint was made too late because she complained more than six years after the decision to provide the overdraft, the limit increases and when some of the charges on the overdraft were applied, as well as more than three years after she ought reasonably to have been aware of her cause to make this complaint.

Having carefully considered everything, I’ve decided not to uphold Miss T’s complaint. Given the reasons for this, I’m satisfied that whether Miss T’s complaint about some of the specific charges applied was made in time or not has no impact on that outcome.

Having considered matters, I'm satisfied that it is reasonable to interpret Miss T's complaint as being one alleging that the lending relationship between Miss T and NatWest was unfair to Miss T as described in s140A of the Consumer Credit Act 1974 ("CCA"). I consider this to be the case as Miss T has not only complained about the circumstances behind the application of the individual charges, but also the fact NatWest's failure to act during the periods she alleges it ought to have seen she was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Miss T's can therefore reasonably be interpreted as a complaint that the lending relationship between herself and NatWest was unfair to her. I acknowledge the possibility that NatWest may still disagree that we are able to look at Miss T's complaint, but given the outcome I have reached, I do not consider it necessary to make any further comment or reach any findings on these matters.

In deciding what is fair and reasonable in all the circumstances of Miss T's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Miss T's complaint can be reasonably interpreted as being about that her lending relationship with NatWest was unfair to her, relevant law in this case includes s140A, s140B and s140C of the CCA.

S140A says that a court may make an order under s140B if it determines that the relationship between the creditor (NatWest) and the debtor (Miss T), arising out of a credit agreement is unfair to the debtor because of one or more of the following, having regard to all matters it thinks relevant:

- any of the terms of the agreement;
- the way in which the creditor has exercised or enforced any of his rights under the agreement;
- any other thing done or not done by or on behalf of the creditor.

Case law shows that a court assesses whether a relationship is unfair at the date of the hearing, or if the credit relationship ended before then, at the date it ended. That assessment has to be performed having regard to the whole history of the relationship. S140B sets out the types of orders a court can make where a credit relationship is found to be unfair – these are wide powers, including reducing the amount owed or requiring a refund, or to do or not do any particular thing.

Given Miss T's complaint, I therefore need to think about whether NatWest providing Miss T with an overdraft, increasing her limit or allowing her to use the overdraft in the way that it did, resulted in the lending relationship between Miss T and NatWest being unfair to Miss T, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

Miss T's relationship with NatWest is therefore likely to be unfair if it irresponsibly provided the overdraft or allowed Miss T to continue using her overdraft in circumstances where it ought reasonably to have realised that the facility had become unsustainable or otherwise harmful for her. And if this was the case, NatWest didn't then remove the unfairness this created somehow.

I've therefore considered whether this was the case.

*NatWest's initial decision to provide Miss T with an overdraft for £500 and then incrementally increase the limit on it to £2,000.00*

We've set out our general approach to complaints about unaffordable/irresponsible lending -

including the key rules, guidance and good industry practice - on our website. And I've referred to this when considering Miss T's complaint.

I think that it is worth me starting by saying that when Miss T was initially granted this overdraft the standards relating to lending weren't the same as they are today. Indeed, all bar the final two limit increases were provided prior to consumer credit becoming regulated.

Nonetheless, when Miss T initially applied for her overdraft, I understand that NatWest will have carried out a credit search. I've not been provided with anything that demonstrates the checks NatWest carried out will more likely than not have shown that Miss T had had previous difficulties with credit.

I've not seen anything to suggest that Miss T had significant recent adverse information – such as defaulted accounts or county court judgments recorded against her - by the time that Miss T was provided with her limit increases afterwards either.

This is important because up until the final two limit increases, it's fair to say that the amount Miss T could owe as a result of her overdraft was low. I appreciate that Miss T did have some existing active credit by the time the limit increases in 2018 and 2019 took place. However, I don't think that this means she shouldn't have been provided with these limit increases.

As Miss T was an existing NatWest current account holder, I've looked at her statements in the period leading up to her applications. I think that it is fair to say that Miss T's account statements show that she was in receipt of sufficient funds each month in order to clear overdrafts of up to £1,200.00 and £2,000.00 within a reasonable period of time.

I fully accept it's possible that Miss T's position might have been worse than what it looks like on the information on her statements. But it wouldn't be fair and reasonable for me to use hindsight here, or say that NatWest should have known this was the case at the time it was making its lending decisions.

As this is the case, I'm not persuaded that NatWest acted unfairly when providing Miss T with her overdraft or increasing her limit on the occasions that it did.

I'll now turn to setting out my thoughts on whether NatWest acted fairly and reasonably in allowing Miss T to use her overdrafts in the way that she did after they were granted.

*Did NatWest unfairly allow Miss T to continue using her overdraft in a way that was unsustainable or otherwise harmful for her once it became chargeable?*

Before I go any further, as this aspect of Miss T's complaint essentially boils down to a complaint that Miss T was unfairly charged as a result of being allowed to continue using her overdraft, I want to be clear in saying that I haven't considered whether the various amounts NatWest charged were fair and reasonable, or proportionate in comparison to the costs of the service provided. Ultimately, how much a bank charges for its services is a commercial decision. And it isn't something for me to get involved with.

That said, while I'm not looking at NatWest's charging structure per se, it won't have acted fairly and reasonably towards Miss T if it applied this interest, fees and charges to Miss T's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware that there was a clear reason it would have been unfair to do so. I've therefore considered whether such a reason existed which would have resulted in NatWest charging Miss T unfairly.

Having looked through the statements NatWest has sent, it's clear that Miss T has been using her overdraft since it started attracting interest after it was converted to a standard current account. I'm therefore satisfied that there can be no dispute that Miss T was using her overdraft over the period of time this part of her complaint is concerned about. Miss T's arguments appear to suggest that this in itself means that her complaint should be upheld.

However, Miss T's overdraft was arranged under an open-ended agreement credit agreement. This means that Miss T had an agreement to use her overdraft and as a result she was entitled to use it without having to reapply to do so. Therefore, Miss T using her overdraft in the period that she had it doesn't automatically mean that her complaint should be upheld.

That said, I do accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, it isn't always the case that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. Indeed, if that were automatically the case, there would be an outright prohibition on revolving credit accounts being open ended, rather than there being a requirement for a lender to review how the facility is being used.

It's also worth saying that one such instance where a lender would be expected to act is where it was clear that the customer was experiencing financial difficulty. Nonetheless, it would need to be objectively clear to the lender, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result.

I've therefore considered whether NatWest acted fairly and reasonably towards Miss T, in this light. In other words, I've considered whether there were periods where NatWest continued charging Miss T even though it ought to have instead stepped in and taken corrective measures on the overdraft as it knew, or it ought to have realised, that she was in financial difficulty.

Having looked through Miss T's account statements throughout the period concerned, I can't see that NatWest ought reasonably to have realised that Miss T was experiencing financial difficulty to the extent that it would have been fair and reasonable for it to have unilaterally taken corrective measures in relation to Miss T's overdraft.

I'll explain why I think this is the case in a little more detail.

To begin with, I can't see Miss T notified NatWest that she was struggling and that these charges were causing her difficulty, prior to her complaint. If she had, NatWest would have known that the charges were causing harm and I would have expected it to act. Nonetheless, even though I can't see that Miss T directly told NatWest that she couldn't afford to pay these charges, I've also considered whether her account activity ought to have alerted it to this being the case.

In considering this matter, I'm mindful that in order to help with determining whether it is objectively the case that a customer was experiencing financial hardship, the regulator has set out guidance on what it considers to be potential indicators of financial difficulty.

The '*Guidance on financial difficulties*' states that things such as a customer failing to meet consecutive payments to credit, being unable to meet their commitments out of their disposable income, having adverse credit or other insolvency information recorded against them, or being in a debt arrangement should be considered as potential signs of a customer being in financial difficulty. Having looked at Miss T's account transactions, I've seen no

indication that any of the potential signs of financial difficulty contained in the guidance, were obviously present in her circumstances during the entire period I've looked at.

I've also looked at Miss T's incomings and outgoings as well as her overdrawn balances and determined whether it was possible for her to have stopped using her overdraft, based on this. I think that if Miss T was locked into paying charges in circumstances where there was no reasonable prospect of her exiting her overdraft then her facility would have been unsustainable for her, even where the indicators of financial difficulties I've set out above weren't clearly present in her circumstances, when looking at the account transactions.

In reviewing this matter, I've noted that Miss T didn't always have an overdrawn balance. Indeed, there were times when she had significant credit balances. In these circumstances, it's difficult for me to reasonably conclude that Miss T wasn't in a position to remove the overdraft until actually did so in 2023.

Furthermore, while I'm not seeking to make retrospective value judgements over Miss T expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Miss T's account. I accept that Miss T may well have had other credit commitments at this time. But this in itself does not mean that she was reliant on credit to meet her essential expenditure.

Of course, I accept neither of these things in themselves (or when taken together) mean that Miss T wasn't experiencing difficulty. I note that Miss T has referred to period where she had been using payday loans and had missed payments to other creditors. However, I don't think that Miss T's account conduct and overdraft usage on this account obviously show that she was clearly in financial difficulty. And bearing in mind I'm satisfied that it is more likely than not that Miss T did not directly tell NatWest that she was experiencing financial difficulty, that's what I'd need to be persuaded of in order to uphold her complaint.

Looking from the outside, it looks like Miss T was able to reduce the amount that she used her overdraft. Therefore, I don't think that Miss T was obviously locked into using her overdraft and paying the charges for doing so. In my view, there was a reasonable prospect of Miss T exiting her overdraft. And NatWest was reasonably entitled to believe that Miss T was choosing to use her overdraft in the way that she was, rather than a case that her financial circumstances meant that she had no choice other than to do so.

Overall and having considered everything, I don't think that it was unreasonable for NatWest to have proceeded adding the charges that it did. This is particularly bearing in mind the consequences of NatWest taking corrective action, in the way that it would have done had it acted in way that Miss T is suggesting it should have, would have been disproportionate.

I say this because I don't think that it would have been proportionate for NatWest to demand that Miss T immediately repay her overdraft and if not defaulting her account (which is likely to have been what would happen bearing in mind matters), in circumstances where there was a realistic prospect of Miss T clearing what she owed in a reasonable period of time.

Bearing all of this in mind, I've not been persuaded that NatWest created unfairness in its relationship with Miss T either by providing Miss T with an overdraft, increasing her overdraft limit, or allowing her to use her overdraft in the way that she. Based on what I've seen, I don't find NatWest treated Miss T unfairly in any other way either.

So while I can understand Miss T's sentiments, I'm sorry to hear that she experienced difficulty and appreciate why she is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Miss T. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

**My final decision**

For the reasons I've explained, I'm not upholding Miss T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 23 March 2026.

Jeshen Narayanan  
**Ombudsman**