

The complaint

Miss J complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) was irresponsible in its lending to her.

What happened

Miss J was provided with a credit card account by NatWest in August 2019. The initial credit limit was £500, and this hasn't been increased. Miss J said that NatWest failed to act responsibly when it provided the account. She explained that she had no long-term income and was a student. She said that adequate checks weren't undertaken to assess her ability to repay the credit and she has been trapped in a cycle of debt which has caused her undue stress and anxiety over several years.

NatWest issued a final response to Miss J's complaint. It explained that it had a strict lending criteria and that all lending needed to meet its affordability guidelines. It said that affordability and credit checks were undertaken and didn't uphold Miss J's complaint.

Miss J referred her complaint to this service.

Our investigator upheld Miss J's complaint. She noted that NatWest had obtained Miss J's income figure from her bank accounts statements and confirmed her living costs as £432. She found that the account statements showed Miss J was earning an average income of £380 and so she didn't accept that this lending was sustainably affordable for her and upheld this complaint. Our investigator recommended that all interest, fees and charges be removed from the account and if, following this, there was still an outstanding balance NatWest should arrange an affordable repayment plan with Miss J. Once the balance had been cleared, she said NatWest should remove any adverse information recorded about the credit card account from Miss J's credit file.

NatWest accepted our investigator's view.

Miss J accepted the upheld view but said that any adverse information should be removed immediately from her credit file, rather than needing to wait until the balance had been repaid. She said this was in line with other decisions by this service and would be fair. Our investigator asked NatWest if it would be prepared to remove the adverse information immediately, but it didn't agree to this.

As a resolution hasn't been agreed, this complaint has been passed to me, an ombudsman, to issue 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.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance and good industry practice – is set out on our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss J was provided with a credit card account with a £500 limit. She already had a £2,000 overdraft with NatWest. Before the credit card account was opened, NatWest undertook income and credit checks. Miss J was receiving an income from employment and also funds from her student loan. The credit check showed Miss J didn't have any defaults or county court judgments and she had very limited credit commitments (total balance of £16).

NatWest had access to Miss J's account statements, and these showed that she was regularly using her overdraft and at the time the credit card was given was around £1,700 overdrawn. Her income from employment was limited (averaged around £380 a month) and the costs NatWest identified exceeded this. While Miss J received funds through a student loan, in this case, I agree with our investigator that Miss J's circumstances should have raised concerns that the repayments for the credit may not be sustainably affordable.

NatWest and Miss J both accepted our investigator's uphold view and I find this a reasonable outcome. The outstanding issue is that Miss J wants the adverse information recorded on her credit file removed immediately rather than when the balance has been repaid.

I note the comments Miss J has made about amendments to her credit file but in this case, I find our investigator's recommendation that the adverse data is removed once the balance has been repaid is fair. Miss J has said that other decisions by this service have taken a different approach and I would like to explain that we treat each case based on its individual merits but that our usual approach to irresponsible lending complaints where the customer is still required to repay any outstanding balance is for the adverse credit data to be removed once the balance has been cleared. I understand why Miss J wants the adverse data removed sooner, but where a consumer has a balance they're expected to repay it's only fair for this to be reflected on their credit file so that future lenders can take into account what a consumer already owes when deciding whether to lend.

While I understand my position in regard to the credit file amendment will be disappointing for Miss J, I find the resolution set out by our investigator to this complaint is fair.

I've also considered whether NatWest acted unfairly or unreasonably in some other way given what Miss J has complained about, including whether its relationship with Miss J might have been viewed as unfair by a court under Section 140A Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss J 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

As I don't think NatWest ought to have opened the account, I don't think it's fair for it to be able to charge any interest or charges under the credit agreement. But I think Miss J should pay back the amounts she has borrowed. Therefore, NatWest should:

- Rework the account removing all interest, fees, charges and insurances (not already refunded) that have been applied.

- If the rework results in a credit balance, this should be refunded to Miss J along with 8% simple interest per year* calculated from the date of each overpayment to the date of settlement. NatWest should also remove all adverse information regarding this account from Miss J's credit file.
- Or, if after the rework there is still an outstanding balance, NatWest should arrange an affordable repayment plan with Miss J for the remaining amount. Once Miss J has cleared the balance, any adverse information in relation to the account should be removed from her credit file.

*HM Revenue & Customs requires NatWest to deduct tax from any award of interest. It must give Miss J a certificate showing how much tax has been taken off if she asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

My final decision

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY should, as it has agreed, take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 9 December 2025.

Jane Archer
Ombudsman