

## The complaint

Mrs and Mr S are unhappy with the amount of interest NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY ('NatWest') are charging on their arranged overdraft.

## What happened

Mrs and Mr S took out the joint current account with NatWest in 1996.

In 2019 they applied for an arranged overdraft and a limit of £10,000 was approved.

Following the financial regulator's, the Financial Conduct Authority's (FCA), review of overdrafts, NatWest made changes to the interest and charges applied to overdrafts (arranged and unarranged). Mrs and Mr S's overdraft interest rate therefore changed from 19.89% EAR to 39.49% EAR effective from September 2020.

In August 2023 Mrs and Mr S applied to increase their arranged overdraft to £15,000, and this was again approved.

In July 2025 Mrs and Mr S raised concerns with NatWest about how high the overdraft interest rate was. NatWest declined the complaint explaining the interest rate had been increased correctly and this was set out in their terms and conditions, and that it had been made clear when Mrs and Mr S applied to increase their arranged overdraft limit in 2023.

Our Investigator clarified Mrs and Mr S were not complaining about the borrowing itself and whether it had been irresponsible of NatWest to agree the overdraft for Mrs and Mr S, rather Mrs and Mr S's issue was with the unfairness of the overdraft interest rate and that it was unaffordable for all customers using NatWest's overdrafts.

The Investigator concluded Mrs and Mr S's complaint should not be upheld. They said NatWest had changed their overdraft charging structure like other banks, and that the FCA had already reviewed firms' changes in interest rate when asking firms to explain how they had decided on their overdraft interest rates. The Investigator explained it was not for our service to say if the interest rate was unfair or not. The Investigator also noted the overdraft interest rate would have been disclosed during the overdraft application process, and it was set out in the terms and conditions of the account.

Mrs and Mr S were disappointed with the Investigator's findings and said the FCA's review and questions to firms about the overdraft interest rates being set supported that within the FCA it was recognised the interest rates were unfair. Mrs and Mr S said they had been treated unfairly as had thousands of other NatWest customers.

To resolve things Mrs and Mr S said they were seeking a refund of at least half of what they had been charged since using the overdraft facility (broadly the difference between the old overdraft interest rate and the current overdraft interest rate).

## 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.

I've only considered a summary of what has happened above, and I have only focused on what I consider relevant to reaching a fair and reasonable decision in this matter.

To reach a fair and reasonable decision I have taken into account any relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

For the avoidance of doubt, my considerations here are limited to Mrs and Mr S's concerns about the interest rate applied to their overdraft.

Mrs and Mr S feel strongly that the 39.49% EAR is unfair given it is significantly higher than the overdraft rate of interest that was previously applied to their account.

I have considered Mrs and Mr S's submissions, but having taken everything into account from both parties, I've reached the same outcome as our Investigator for broadly the same reasons. That is, there is not enough to persuade me that NatWest have done something wrong here.

It is not for me to decide what amount of overdraft interest would be fair to apply to the type of account that Mrs and Mr S hold with NatWest. This is a matter for a firm's commercial judgment and not something I can interfere with. My role also prohibits me from being able to fine or punish a firm, or to interfere with a firm's systems, processes or controls – these are all considerations for the appropriate regulator.

As our Investigator set out in their opinion to both parties, the FCA issued the industry with new rules and guidance for overdrafts to take effect in 2020. Amongst the changes proposed, it included to stop charging a different level of interest between unarranged and arranged overdrafts; removing fixed fees for dipping into an overdraft; not including an overdraft as part of the 'available balance' described on someone's account; making clear that an overdraft is a form of credit and ensuring customers are shown the APR to be able to compare products.

The industry made changes to their respective accounts, and it is noted that many increased their interest rates for overdraft borrowing following the FCA's review.

In 2023 the FCA reviewed the overdraft changes made in 2020. The FCA noted overdrafts are intended for short-term or emergency use, and that consumers should consider other methods of credit if needing to borrow for longer. The FCA's review made no changes and provided no guidance about the overdraft interest rates being used.

I realise Mr S has said no one would rightly choose such a high level of interest rate for borrowing, but it seems more likely than not the overdraft interest rate information was available at the time Mrs and Mr S increased their overdraft limit.

NatWest provided our service with sample screenshots of what would be seen during the application process. Under the heading *Arranged overdraft interest* it sets out that *The interest on your arranged overdraft will be 39.49% Effective Annual Rate*. And the interest rate applicable is reinforced again in the application process.

The application also required the applicant to confirm reading the key information about their arranged overdraft. And the terms and conditions of the account set out under the heading *Arranged overdraft interest* what the EAR% would be for the different types of NatWest accounts.

Taking this all into account I've not seen enough here to persuade me that Mrs and Mr S were not provided with information about the interest rate that would be applicable to their overdraft. And as I've already said, the overdraft interest rate NatWest have applied is a matter for their commercial judgement and not something I can interfere with.

I note that Mr S shared with our Investigator that the previous overdraft interest rate NatWest were charging, "*just under 20%*", was "*already a lot but manageable. 40% is not.*"

Mrs and Mr S have said their complaint here is not about NatWest's lending decision to provide them with the overdraft they now have and use, so I've not considered NatWest's lending decision in this case. If Mrs and Mr S are now experiencing any difficulties in being able to manage their overdraft then it is in their hands to let NatWest know and see what support may be available to them should they need it. And going forward I remind NatWest of their responsibility to monitor and review their customers' overdraft usage, and to treat customers in financial difficulty fairly, with forbearance and due consideration.

### **My final decision**

I understand Mrs and Mr S will be disappointed with my findings, but for the reasons above, my final decision is that I do not uphold Mrs and Mr S's complaint.

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

Kristina Mathews  
**Ombudsman**