

The complaint

Mr D complaint is about an overdraft given to him by National Westminster Bank Public Limited Company (NatWest).

What happened

The facts of this case are familiar to both sides, so I don't intend to repeat everything in detail here. Instead, I'll provide a summary.

In December 2018, Mr D was provided with an overdraft facility of £2,000. In March 2019, Mr D inadvertently reduced the limit to £300. Mr D told NatWest what had happened, and on 27 March 2019, NatWest agreed to reinstate the original limit of £2,000.

In February 2025, Mr D complained to NatWest about its decision to lend to him. In doing so, Mr D said he felt NatWest acted irresponsibly when it agreed to provide (and later reinstate) his overdraft. Mr D said NatWest failed to notice his financial difficulties, including unpaid Direct Debits, gambling transactions and use of payday loans. Mr D also says NatWest acted unfairly when it continued to provide the overdraft, on the same terms (and therefore incur charges as a result) even when it was clear that he was in financial difficulty and failing to see a credit balance for an extended period.

In March 2025, NatWest issued its final response in which it did not uphold Mr D's complaint in which it said that it Mr D *"met the Bank's eligibility and affordability criteria...at the time of the applications being made"*. Therefore, NatWest said it made a fair lending decision. It went on to say that it did not act unfairly by allowing Mr D to continue to use the account on the same terms because it *"does not routinely manually monitor accounts...it is the responsibility of the account holder to make [it] aware so that relevant support, guidance and assistance can be provided"*.

Unhappy with this, Mr D referred the matter to our service.

One of our investigators looked into the complaint. Before they could proceed to consider the merits of the complaint, the investigator first had to consider whether our service had the power to do so under the rules that we operate under (known as the DISP rules). In August 2025, the investigator issued their findings in relation to our service's jurisdiction to consider this matter. In short, the investigator said that our service could not consider Mr D's complaint about the initial decision to lend in December 2018 due to the time limits set out in DISP 2.8.2.

However, the investigator went on to say that our service could consider at events from February 2019 onwards, including NatWest's decision to reinstate Mr D's overdraft in March 2019, because it occurred made within six years of the date Mr D complained.

As neither party appeared to disagree, the investigator issued their opinion on the merits of the complaint insofar as it relates to events from February 2019 onwards. The investigator upheld the complaint. In doing so, the investigator said that NatWest did not conduct reasonable and proportionate checks prior to agreeing to reinstate Mr D's overdraft in

March 2019 and, if it had done so, it would have seen Mr D was gambling significant sums and he was reliant on the overdraft for day-to-day expenditure. Therefore, the investigator recommended, amongst other things, that NatWest re-work Mr D's overdraft balance so that all interest, fees and charges applied to it from March 2019 onwards are removed.

Mr D accepted the investigator's opinion. However, in response, NatWest reiterated its view that the entire complaint had been brought to our service too late.

As a result, the complaint was passed to me to review.

In November 2025, I issued a decision on our service's jurisdiction in this matter. In short, I said that our service could consider events from February 2019 onwards, including its decision to increase (or reinstate) Mr D's overdraft facility in March 2019.

With that being the case, I have gone to consider the merits of the case insofar as it relates to events from February 2019 onwards.

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.

Having done so, I've reached the same conclusion as our investigator and for the same reasons. I'll explain why.

But, before I do, I would like to make it clear that I'm aware that I've summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've based my decision on the balance of probabilities.

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 Mr D's complaint.

I understand NatWest view the reinstatement of the overdraft in March 2019 as a rectification of an error by Mr D, rather than as a separate lending decision. But I don't agree. In my view, in reinstating Mr D's overdraft, NatWest was agreeing to provide him with a line of credit that it needed to satisfy itself he could afford to repay as it ought to for any lending facility.

In any event, I cannot ignore the fact that it seems NatWest did consider Mr D's ability to repay, at least to some degree. After all, it is my understanding that, after inadvertently reducing his overdraft, Mr D applied online for his overdraft limit to be increased. These applications took place on 25 and 27 March 2019 and both were declined. So, NatWest was considering whether the lending was affordable – even if this was an automated process.

With that being the case, NatWest needed to make sure it didn't lend irresponsibly. In practice, what this means is NatWest needed to carry out proportionate checks to be able to understand whether Mr D could afford to repay any credit it provided. And noting several

months had lapsed since the initial lending decision, I don't think NatWest could reasonably rely on the information it gathered then to support this lending decision.

There is no available evidence regarding what enquiries NatWest made (if any) to understand Mr D's financial situation at the time. As I've said, NatWest appeared to decline two online applications for an overdraft limit increase on 25 and 27 March 2019, before manually agreeing to lend after Mr D attended a NatWest branch later on 27 March 2019. I think the recent declined applications ought to have given NatWest some cause for concern and ought to have prompted it to gather some information about Mr D's circumstances before agreeing to lend. I say this is particularly the case noting the size of the limit increase notwithstanding it was a reinstatement of an old limit. In that context, I can't fairly say it conducted reasonable and proportionate checks prior here.

In order to build up an understanding of Mr D's financial situation at the time, I've looked at his statements for the account in question from around the time. These shows that Mr D was gambling significant sums of money. For example, a month prior to the overdraft limit reinstatement (February 2019), Mr D spent more than £2,600 on gambling websites. This figure far exceeds income received that month, which in any event is mostly made up of gambling winnings. Further, it looks like Mr D's gambling increased to more than £2,800 in the three-weeks of March up to the overdraft reinstatement.

What's more, in the period Mr D had the overdraft facility, he had made extensive and regular use of it. I understand there were no other obvious indicators of financial hardship in this period, such as returned Direct Debits or evidence of reliance on payday lending. But even a cursory review would have alerted NatWest to the fact his account activity suggested that there was a real risk Mr D's overdraft could cause him to experience significant adverse consequences.

While I can't see that Mr D contacted NatWest to discuss his situation, I think this is most likely because he was in a spiral and thinking that he was a win away from rectifying what was clearly a worsening financial situation. I don't think it would have been reasonable for NatWest to conclude that his problematic overdraft usage would correct itself. As NatWest didn't react to Mr D's account usage and take corrective action in relation to his account activity when it had an opportunity to do so, I'm satisfied that it failed to act fairly and reasonably towards him.

NatWest increased (or reinstated) Mr D's overdraft limit at a time when it ought to have realised that doing so had a high potential to cause significant adverse consequences and Mr D ended up paying interest, fees and charges as a result. So, I'm satisfied that Mr D lost out because of what NatWest did wrong and that NatWest now needs to put things right.

Summary

Having carefully considered all the facts of this case, I don't consider that NatWest acted fairly in reinstating Mr D's overdraft in March 2019 and allowing him to operate the overdraft on the same terms from that point. NatWest, in my view, needed to take steps to intervene, provide him with forbearance and apply active measures to enable him to reduce his overdraft debt. It follows that, in my view, NatWest didn't treat Mr D fairly.

I've also 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 D in the circumstances of his complaint. I'm therefore satisfied, based on what I've currently seen, that no additional award would be appropriate in this case

Putting things right

Having thought about everything, I'm satisfied that it would be fair and reasonable in all the circumstances of Mr D's complaint for NatWest to put things right by taking the following steps:

- Rework Mr D's current overdraft balance so that all interest, fees and charges applied to it from March 2019 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made NatWest should contact Mr D to arrange a suitable repayment plan, Mr D is encouraged to get in contact with and cooperate with NatWest to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mr D's credit file, it should backdate this to March 2019

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 D 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 D's credit file.

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Mr D a certificate showing how much tax it has taken off if he asks for one.

I understand NatWest has sold the outstanding debt. If that is the case, NatWest should buy this back if it is able to do so and then take the above steps. If NatWest isn't able to buy back the debt, then NatWest should liaise with the new debt owner to achieve the results outlined above.

My final decision

For the reasons I've explained, I uphold this complaint. NatWest should put things right in the way I've directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 December 2025.

Ross Phillips
Ombudsman