

The complaint

Nationwide Building Society ('Nationwide') provided Miss M with overdrafts on two accounts. Miss M says each overdraft was provided irresponsibly.

What happened

The first overdraft, with account number ending 6539, was provided in May 2020 with a limit of £500. That was increased twice in that month, first to £1,000 and then to £2,500.

The second overdraft, with account number ending 7291, was provided in November 2022 with a limit of £250. It was then increased once, in June 2023, to £1,000.

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.

I've decided to uphold this complaint on the same basis as our investigator – that is, in part for account ending 6539 and in full for account ending 7291 because:

- I think the checks Nationwide did before providing the overdraft facility for account ending 6539 and the two increases that immediately followed were reasonable and proportionate, given what it knew about Miss M's financial situation at the time. Miss M was at that time receiving a regular income and didn't appear to be having financial difficulties. I've seen that Nationwide saw Miss M had received County Court Judgments in the past and regarded the level of lending risk as acceptable.
- I've thought about how Miss M used the first overdraft going forwards. I've seen that Miss M's overdraft use increased substantially from around May 2022. This is something that ought to have been picked up by Nationwide when it carried out its annual review. There is evidence of her making increasingly frequent use of her overdraft from around March 2021, when she was often close to hitting the limit of the facility. I've seen that in the main, her account use was for essential spending, but she also put money into high-risk investments in April 2021 and took out a car finance agreement in October 2021. I've also seen that in May and June 2021 she had some direct debits returned with others returned in June and December. There were also further direct debit returns in March, April, June, July and August 2022.
- Given what I've seen, with a steadily increasing reliance on her overdraft, I think Nationwide ought to have taken steps to intervene and support Miss M with reducing her overdraft reliance from around May 2022, when it could see a clear pattern of her use for the previous year which was not in line with short-term or emergency need. And, given that the overdraft use showed evidence of financial difficulty, I don't think

writing to her to make her aware of her overdraft use was enough in itself.

- Miss M's financial situation continued to deteriorate. She stopped receiving paid income from April 2022. It follows that Nationwide ought not to have agreed to give Miss M the second overdraft facility in November 2022. It ought to have seen there was a real risk that Miss M would likely be unable to sustainably repay that overdraft. Had it carried out better checks at the time I think it's likely that Nationwide would have been made aware of this.

This all means I don't think Nationwide acted fairly in allowing Miss M to continue using her overdraft with account number ending 6539 from May 2022. And it ought not to have agreed to the second overdraft facility, ending 7291, in November 2022.

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 Miss M 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 Nationwide should now settle Miss M's complaint as follows:

Account 6539

- Re-work Miss M's current overdraft balance so that all interest, fees and charges applied to it from May 2022 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Nationwide should contact Miss M to arrange a suitable repayment plan for this.
- If it considers it appropriate to record negative information on Miss M's credit file, it should backdate this to May 2022.

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 Miss M, 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 Nationwide should remove any adverse information from Miss M's credit file. †

Account 7291

- Re-work Miss M's current overdraft balance so that all interest, fees and charges applied to it from when it was first given in November 2022, and then onwards, are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been

made, Nationwide should contact Miss M to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Miss M's credit file, it should backdate this to November 2022.

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 Miss M, 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 Nationwide should remove any adverse information from Miss M's credit file. †

† HM Revenue & Customs requires Nationwide to take off tax from this interest. Nationwide must give Miss M a certificate showing how much tax it's taken off if they ask for one.

My final decision

My final decision is that I'm upholding this complaint in part and so Nationwide Building Society must put things right as set up above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 3 March 2026.

Michael Goldberg
Ombudsman