

Complaint

Mr Y has complained about the overdraft charges National Westminster Bank Public Limited Company (“NatWest”) applied to his account.

Mr Y is being represented, by the (“representative”), in his complaint.

Background

Mr Y successfully applied for an overdraft with a limit of £2,000.00 on his current account in 2016. In August 2016, this limit was increased to £6,500.00. The overdraft was fully repaid and removed in April 2019.

Mr Y then subsequently applied for an overdraft for the second time in October 2019. This application was also successful and during the period Mr Y has had this overdraft his limit was £2,500.00 at its highest and £350 at its lowest.

In March 2025, Mr Y complained saying that he was irresponsibly provided with overdrafts which he was allowed to continue using in a way that was unsustainable and which caused him continued financial difficulty. During the course of Mr Y’s complaint being with us, he’s confirmed that he’s no longer complaining about the second overdraft and his complaint concerns being provided with an overdraft in 2016 and being allowed to use it in the way he did until April 2019.

NatWest did not uphold Mr Y’s complaint. It did not think that it had done anything wrong or treated Mr Y unfairly in the period he had his overdraft. Mr Y was dissatisfied at NatWest’s response and referred his complaint to our service. When Mr Y’s complaint was referred to our service, NatWest told us that we couldn’t consider the complaint as it was made too late.

One of our investigators reviewed what Mr Y and NatWest had told us. He eventually reached the conclusion that we could look at Mr Y’s complaint but he wasn’t persuaded that NatWest had acted unfairly by allowing Mr Y to use his overdraft in a way that was unsustainable or otherwise harmful. So the investigator didn’t recommend that Mr Y’s complaint be upheld.

The representative, on Mr Y’s behalf, 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 Mr Y's complaint was made too late because he complained more than six years after the decisions to provide him with an overdraft and the vast majority of the charges on it were applied, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

Our investigator explained Mr Y's complaint was one alleging that the relationship between him and NatWest was unfair to him as described in s140A of the Consumer Credit Act 1974 ("CCA"). He also explained why this complaint about an allegedly unfair lending relationship had been made in time.

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

I'm also in agreement with the investigator that Mr Y's complaint should be considered more broadly than just the individual charges or lending decisions. I consider this to be the case as Mr Y 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 he alleges it ought to have seen he was experiencing difficulty caused ongoing hardship.

I'm therefore satisfied that Mr Y's complaint can be interpreted as one alleging that the lending relationship between himself and NatWest was unfair to him. I acknowledge the possibility that NatWest may still disagree that we are able to look at the whole of Mr Y'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 Mr Y's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr Y's complaint can be reasonably interpreted as being about that his lending relationship with NatWest was unfair to him, 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 (Mr Y), 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 Mr Y's complaint, I therefore need to think about whether NatWest's allowing Mr Y to use his overdraft in the way that it did, resulted in the lending relationship between Mr Y and

NatWest being unfair to Mr Y, such that it ought to have acted to put right the unfairness – and if so whether it did enough to remove any such unfairness.

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

NatWest's decisions to provide Mr Y with an overdraft with limits of £2,000.00 and £6,000.00

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 Mr Y's complaint.

NatWest needed to make sure that 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 Y would be able to repay what she was being lent before providing any credit to him.

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

NatWest says that it will have obtained some information on Mr Y's income and his expenditure before deciding to lend to him. It says that this will have been cross-referenced against information it obtained on the funds going into Mr Y's main account and his existing credit commitments which it obtained from credit reference agencies.

Mr Y's overdraft was an open-ended (running account) agreement (in other words, while NatWest was required to periodically review the facility, there was no fixed end date) where there was an expectation that he'd repay what he borrowed plus the interest due within a reasonable period of time. CONC didn't (and still doesn't) set out what a reasonable period of time was.

So I think it's important to note that a reasonable period of time will always be dependent on the circumstances of the individual case. Equally, it's fair to say that overdraft limits of £2,000.00 and £6,500.00 will have required fairly chunky credits in order to clear the full amount that could have been owed within a reasonable period of time.

I understand that NatWest is likely to have carried out credit searches but given the length of time since Mr Y's applications it no longer has a record of these showed. Given these applications took place almost ten years ago, I don't think that this is unreasonable. In any event, I haven't seen anything to indicate that Mr Y had any significant adverse information - such as defaulted accounts or county court judgments recorded against him at these times either.

That said, NatWest has been able to provide us with copies of Mr Y's current account statements. Having looked at copies of them, taking into account the funds Mr Y was receiving as well as his regular non-discretionary living costs, I can't see any obvious reason

why Mr Y shouldn't have been granted his overdraft or the limit increase.

In reaching my conclusions, I do accept that after the limit increase, Mr Y's limit was higher than his monthly income. However, in the absence of anything else to indicate that Mr Y was experiencing difficulty or was over indebted, I'm not persuaded that the amount of Mr Y's income in itself means that he shouldn't have been lent to.

As this is the case, I'm satisfied that it wasn't unfair for NatWest to offer Mr S an overdraft with limits of £2,000.00 and £6,500.00 in August 2016 and therefore there was no unfairness created at this stage.

Did NatWest unfairly allow Mr Y to continue using his overdraft in a way that was unsustainable or otherwise harmful for him?

Before I go any further, as this aspect of Mr Y's complaint essentially boils down to a complaint that he was unfairly charged as a result of being allowed to continue using his 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 Mr Y if it applied this interest, fees and charges to Mr Y's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr Y was experiencing financial difficulty. So I've considered whether there was an instance, or there were instances, where NatWest didn't treat Mr Y fairly and reasonably.

In other words, I've considered whether there were periods where NatWest continued charging Mr Y 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 he was in financial difficulty.

However, as I can't see that Mr Y did get in contact with NatWest to say that he was experiencing difficulty prior to his complaint, it would need to be objectively clear to NatWest, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result, in order for me to uphold this complaint. I've therefore considered whether NatWest acted fairly and reasonably towards Mr Y, in this light.

The representative's letter of complaint states that its review of Mr Y's credit file leads it to believe that NatWest identified Mr Y as a repeat overdraft user. It's unclear to me how it has reached this conclusion bearing in mind that a lender isn't expected to report that it has identified a customer as a repeat overdraft user to credit reference agencies.

Nonetheless, the key issue here isn't simply whether Mr Y was a repeat overdraft user. What is important to determine is whether NatWest continued charging Mr Y 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 he was in financial difficulty.

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 through Mr Y's account statements throughout the period concerned, I've seen no indication that any of the potential signs of financial difficulty contained in the guidance, were obviously present in his circumstances. So I can't see that NatWest ought reasonably to have realised that Mr Y 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 Mr Y's overdraft. I'll explain why I think this is the case in a little more detail.

I accept that Mr Y was eventually provided with an overdraft facility which had a limit that was substantially higher than that typically granted to customers. However, as I've explained, I'm mindful that Mr Y's account received a significant amount of credits which had the ability to substantially reduce his overall indebtedness. So I don't think that this is a case where Mr Y was marooned in his overdraft without any hope of being able to clear the balance.

Furthermore, while I'm not seeking to make retrospective value judgements over Mr Y's expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr Y's account. There are also transfers to other NatWest accounts.

I accept that Mr Y may well have had other credit commitments at this time. But this in itself does not mean that he was reliant on credit to meet his essential expenditure. And it isn't immediately obvious to me that Mr Y was borrowing from unsustainable sources specifically to pay for these overdraft charges either.

Of course, I accept neither of these things in themselves (or when taken together) mean that Mr Y wasn't experiencing difficulty. But I don't think that Mr Y's account conduct and overdraft usage obviously show that he was clearly in financial difficulty. And as I've explained, bearing in mind Mr Y did not directly tell NatWest that he was experiencing financial difficulty, that's what I'd need to be persuaded of in order to uphold his complaint.

It's also worth noting that Mr Y went on to fully repay the overdraft and remove the facility in April 2019. It is arguable that this was at a time where NatWest perhaps ought to have begun having concerns as Mr Y's overdraft usage had been increasing – even if the signs of the financial difficulty weren't obviously present in his circumstances.

However, while Mr Y has said he borrowed the money from his employer as his family circumstances had changed, he nonetheless did clear the overdraft less than three years after being granted it. And this was in circumstances where Mr Y hadn't remained towards the upper end of his limit for most of this time either. So I think that any unfairness that could have gone on to develop was prevented by Mr Y clearing the overdraft when he did in April 2019.

Overall and having considered everything, I don't think that it was unreasonable for NatWest to have proceeded adding the charges that it did.

Therefore, I don't find that the relationship between Mr Y and NatWest was unfair to Mr Y. I've not been persuaded that NatWest created unfairness in its relationship with Mr Y by allowing him to use his overdraft in the way that he did. Ultimately, any unfairness that could have gone on to be created, did not in fact occur as Mr Y cleared his overdraft in full and removed the facility in April 2019. Based on what I've seen, I don't find NatWest treated Mr Y unfairly, in relation to this overdraft, in any other way either.

So overall and having considered everything, while I can understand Mr Y's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr Y. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 12 January 2026.

Jeshen Narayanan
Ombudsman