

Complaint

Mr D has complained about the overdraft charges National Westminster Bank Public Limited Company (“NatWest”) applied to his current account. He’s effectively said that the overdraft was unaffordable and so he shouldn’t have been provided with it. Therefore, the charges applied to his account were unfair as he could not afford them.

Background

Mr D successfully applied for an overdraft on his current account in September 2017. Mr D was initially granted an overdraft limit of £100. Mr D’s limit was gradually increased until it reached £750 in May 2018. Mr D’s limit was then increased in December 2023 and January 2024. At the end of this period of increases, Mr D’s limit reached £1,900.00.

In May 2025, Mr D complained saying that NatWest applied overdraft charges to his account despite him being unable to afford them. NatWest did not uphold Mr D’s complaint. It didn’t think that it had done anything wrong either when providing the overdraft or allowing Mr D to use his overdraft in the way that he did. Mr D remained dissatisfied at NatWest’s response and referred his complaint to our service. When Mr D referred his complaint to us, NatWest told us that it considered Mr D’s complaint was made too late.

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

Mr D 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 D’s complaint was made too late because he complained more than six years after some of the charges on the overdraft were applied, as well as more than three years after he ought reasonably to have been aware of his cause to make this complaint.

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

Having considered matters, I’m satisfied that it is reasonable to interpret Mr D’s complaint as being one alleging that the lending relationship between Mr D and NatWest was unfair to Mr D as described in s140A of the Consumer Credit Act 1974 (“CCA”). I consider this to be

the case as Mr D 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 D's can therefore reasonably be interpreted as a complaint 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 D'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 D's case, I am required to take relevant law into account. As, for the reasons I've explained above, I'm satisfied that Mr D'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 D), 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 D's complaint, I therefore need to think about whether NatWest's allowing Mr D to use his overdraft in the way that it did, resulted in the lending relationship between Mr D and NatWest being unfair to Mr D, 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 D's relationship with NatWest is therefore likely to be unfair if it allowed Mr D to continue using his overdraft 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.

Did NatWest act fairly and reasonably when providing Mr D with his overdraft and increasing his credit limit on the occasions that it did?

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.

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.

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.

I understand that NatWest agreed to Mr D's initial application after it obtained information on his income and carried out a credit search. And the information obtained indicated that Mr D would be able to make sufficient credits to clear the overdraft balance which could be owed at the respective times.

On the other hand, Mr D says that he shouldn't have been lent to or had his limit increased on the occasions that it was.

I've considered what the parties have said.

What's important to note is that Mr D was provided with a revolving credit facility rather than a loan. And this means that NatWest was required to understand whether limits of up to £1,900.00 could be repaid within a reasonable period of time, rather than all in one go. It's fair to say that an overdraft limit of up to £1,900.00 didn't require especially high monthly credits in order to clear the full amount that could be owed within a reasonable period of time.

I understand that NatWest will have carried out credit checks on Mr D. I've not seen any indication and neither has it been argued that any such checks would have shown that Mr D shouldn't have been lent to at all. I also think that it is fair to say that Mr D's account statements around the respective times show that he was in receipt of sufficient funds each month in order to clear an overdraft of up to £1,900.00 within a reasonable period of time.

I fully accept it's possible that Mr D's position might have been worse than what it looks like on the information on his statements. But this isn't apparent from the information before me. I also think that it wouldn't be fair and reasonable for me to use hindsight here, or say that NatWest should have known this was the case at the time it was making its lending decisions. As this is the case, I'm not persuaded that NatWest acted unfairly when providing Mr D with an overdraft or increasing his limit on the occasions that it did.

I'll now turn to setting out my thoughts on whether NatWest acted fairly and reasonably in allowing Mr D to use his overdraft in the way that he did.

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

Before I go any further, as this essentially boils down to a complaint that Mr D 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. This is important as I note that Mr D has referred to the interest rate on his overdraft and ultimately, how much a bank charges for its services is a commercial decision. This 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 D if it applied this interest, fees and charges to Mr D's account in circumstances where it was aware, or it ought fairly and reasonably to have been

aware that there was a clear reason it would have been unfair to do so. I've therefore considered whether such a reason existed which would have resulted in NatWest charging Mr D unfairly.

Having looked through the earliest statements that I've been provided with, it's clear that Mr D has been using his overdraft. I'm therefore satisfied that there can be no dispute that Mr D was using his overdraft over the period of time he's had it. Mr D's arguments appear to suggest that this in itself means that his complaint should be upheld. However, Mr D's overdraft was arranged. This means that he had an agreement to use his overdraft and he was entitled to use it. Therefore, Mr D using his overdraft in the period that he had it doesn't automatically mean that his complaint should be upheld.

That said, I do accept that the rules, guidance and industry codes of practice all suggest that prolonged and repeated overdraft usage can sometimes be an indication of financial difficulty. However, it isn't always the case that prolonged and repeated overdraft usage by a customer will always mean that they are, as a matter of fact, in financial difficulty. Indeed, if that were automatically the case, there would be an outright prohibition on revolving credit accounts being open ended, rather than there being a requirement for a lender to review how the facility is being used.

I've therefore considered whether NatWest acted fairly and reasonably towards Mr D, in this light. In the first instance, I can't see that Mr D directly told NatWest that he couldn't afford to pay these charges, prior to his complaint. This is important because where a customer didn't get in contact and ask for assistance and where a customer was using their overdraft within the terms and conditions, there are limited circumstances where a lender could and would be expected to act.

One such instance where a lender would be expected to act is where it was clear that the customer was experiencing financial difficulty. Nonetheless, it would need to be objectively clear to the lender, rather than a matter open to interpretation, that the overdraft charges were clearly making things worse and they were harmful as a result.

I've therefore considered whether Mr D's account activity ought to have alerted NatWest to the fact that he was struggling financially and so it needed to take unilateral corrective action. 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 (since April 2014) set out guidance on what it considers to be potential indicators of financial difficulty.

This '*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. However, having looked at the statements provided, I've seen no indication that any of the potential signs of financial difficulty contained in the guidance, were obviously and persistently present in his circumstances during the period I've looked at.

I've also looked at Mr D's incomings and outgoings as well as his overdrawn balances and determined whether it was possible for him to have stopped using his overdraft, based on this. I think that if Mr D was locked into paying charges in circumstances where there was no reasonable prospect of him exiting his overdraft then his facility would have been unsustainable for him, even where the indicators of financial difficulties I've set out above weren't clearly present in his circumstances, when looking at the account transactions.

In reviewing this matter, I've noted that throughout the period of time I'm looking at, Mr D's account was in receipt of credits that were sufficient to clear the overdraft within a reasonable period of time. Indeed, I'm satisfied that Mr D's case isn't one where a borrower was permanently in their overdraft. It is clear that there were times where Mr D returned to a credit balance. The fact that Mr D was receiving regular credits into his account is another reason why his overdraft doesn't appear to have been obviously unsustainable for him.

Furthermore, while I'm not seeking to make retrospective value judgements over Mr D expenditure, there are significant amounts of non-committed, non-contractual and discretionary transactions going from Mr D's account. Indeed, there was significant discretionary spend and Mr D also appears to have been transferring funds to and from other accounts of his at times.

I accept that Mr D did have 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 while I've noted what Mr D has said about payday borrowing, from his NatWest account statements at least, it isn't immediately obvious to me that Mr D was borrowing from unsustainable sources – such as payday type lenders – in order to pay for the charges or meet other committed expenditure either. Any payday type borrowing was while Mr D was while he had student terms and so wasn't being charged for using his overdraft. So he can't have been using this borrowing because he had to pay for using his overdraft.

Finally, I've noted what Mr D has said about his gambling. However, a manual review of Mr D's bank statements, during the period he was charged for using his overdraft, doesn't flag up clear and obvious signs of problem gambling. This is even though I am actively looking for this.

In these circumstances, I can't reasonably say that NatWest ought reasonably to have been aware that Mr D's overdraft was clearly unsustainable for him. And while I sympathise with any difficulties that Mr D might have had with problem gambling, I can't say that this means NatWest unfairly charged him for using his overdraft.

Of course, I accept neither of these things in themselves (or when taken together) mean that Mr D wasn't experiencing difficulty. But I don't think that Mr D's account conduct and overdraft usage obviously show that he was. And bearing in mind I'm satisfied that it is more likely than not that Mr D 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.

Looking from the outside, it looks like Mr D had the funds to be able to reduce the amount that he used his overdraft. However, he was choosing not to do so. In these circumstances, NatWest was reasonably entitled to conclude that Mr D was choosing to use his overdraft rather than it being the case that he had become reliant on it.

As this is the case, I don't think that it was unreasonable for NatWest to have proceeded adding the charges that it did. I've therefore not been persuaded that NatWest created unfairness in its relationship with Mr D by allowing him to use his overdraft in the way that he did. Based on what I've seen, I don't find NatWest treated Mr D unfairly in any other way either. In these circumstances, I don't find that the relationship between Mr D and NatWest was unfair to Mr D.

Overall and having considered everything, while I can understand Mr D's sentiments and appreciate why he is unhappy, I'm nonetheless not upholding this complaint. I appreciate this will be very disappointing for Mr D. 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 D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 13 April 2026.

Jeshen Narayanan
Ombudsman