

complaint

Mr D has complained that National Westminster Bank Plc (NatWest) acted irresponsibly by increasing his overdraft without doing sufficient checks on his finances.

background

Mr D has a current account with NatWest.

Mr D says NatWest allowed him to increase his overdraft from £250 to £4,000 in under a month. He subsequently complained to NatWest saying that it hadn't done sufficient checks to ensure he was able to afford the overdraft. He said that NatWest would have seen he had a poor credit rating, had multiple existing loans and credit cards and was using his overdraft for gambling had it done so. He asked NatWest to refund charges and interest.

NatWest investigated Mr D's complaint and said he'd passed their affordability checks based on the information he provided. NatWest said it wouldn't refund the interest and charges because it hadn't made an error and had applied them in line with terms of the overdraft.

Mr D remained dissatisfied and brought his complaint to us. Our investigator said that NatWest's checks were sufficient to show the overdraft would have been affordable to Mr D at the time. Mr D didn't agree and asked me to make a 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.

Before businesses agree to lend they must carry out checks to make sure that the lending is affordable and responsible. There aren't "set checks" that a lender has to carry out – the checks done do, however, have to be proportionate.

Mr D applied four times over a three week period to increase his overdraft. He applied online and this involved giving details of his income and expenditure, including his net income, his mortgage payments, living costs, and loan and card repayments. I've seen the information Mr D gave about his income and expenditure for each application. I've also seen additional checks that NatWest did to make sure there were no inconsistencies between the information Mr D had given and information on his credit file. Those additional checks showed that there were no inconsistencies. It wasn't, therefore, unreasonable of NatWest to rely on the information Mr D had given and to come to the conclusion that the overdrafts he was applying for were affordable.

I've also considered that Mr D made four applications over a short period of time, and whether this would have prompted NatWest to do more checks. Mr D made four applications, which increased his overdraft by £1,000 each time. Following Mr D's initial application for £1,000, NatWest authorised an overdraft of up to £4,170 based on Mr D's disposable income. As the information Mr D provided during each application was consistent and was verified by NatWest's credit file checks, NatWest authorised up to £4,170 at each application. So I think it was reasonable for NatWest to have accepted the four applications over a short period of time as each application was within the authorised lending limit.

Mr D said that NatWest should have known that he was using his overdraft for gambling. Mr D thinks NatWest should have checked his bank statements at each application and this would have shown his gambling transactions. However, I don't think NatWest had reason to scrutinise his bank statements considering it verified Mr D's income and expenditure and this left Mr D with a sufficient disposable income to make the lending affordable. I think the checks NatWest did at each application were proportionate to the amount of lending and don't think NatWest would have reasonably been aware that Mr D was using his overdraft for gambling.

Mr D made several more applications for credit with NatWest later in the year, including applications for loans and a higher overdraft amount. NatWest declined most of the applications following affordability checks. I'm satisfied NatWest's checking process has value as NatWest deemed some of Mr D's credit application unaffordable for him. I can also see from Mr D's credit file, he also took out more credit with other providers later in the year.

Overall, NatWest did sufficient checks in this case to assess if the £4,000 overdraft was affordable for Mr D. For this reason, I won't be asking NatWest to refund any interest or charges associated with the overdraft.

my final decision

My final decision is that I'm not upholding this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 August 2019.

Jamie Sutherland
ombudsman