

complaint

Mrs E's complaint is about the charges she's paid for an overdraft on a new account that Clydesdale Bank Plc (Clydesdale) set up for her in 2016. Mrs E says that she already had an overdrawn account with Clydesdale at that time and it shouldn't have given her another facility because of her financial situation.

background

Mrs E had a basic bank account with Clydesdale which didn't offer an overdraft facility. But the account did go overdrawn from time to time due to transactions authorised by Mrs E when insufficient funds were in the account. Mrs E says that Clydesdale closed this account with an outstanding balance.

In February 2016 Clydesdale agreed to open Mrs E a standard current account with an overdraft facility of £500. But within a couple of months the account had an unauthorised overdraft balance and Clydesdale wrote to Mrs E with a reminder of the charges that would be applied. It also invited Mrs E to make contact if she had any questions. Over the next few months Clydesdale sent further letters to Mrs E, as it was concerned about her level of overdraft. It said it wanted to discuss whether Mrs E was experiencing financial difficulties.

Subsequently Mrs E's accounts have been closed. But she complained as she said she shouldn't have been offered the second account with an overdraft, while an outstanding overdraft amount existed on her first account.

Clydesdale said it carried out the correct procedures when opening the second account and didn't believe it had done anything wrong. It also said that Mrs E ran both accounts concurrently and that when the second account was opened the first account was in credit.

One of our investigators looked into the complaint and concluded that Clydesdale hadn't acted incorrectly when opening the second account. She said the first account had been well managed up to that point and there was no reason for Clydesdale not to lend to Mrs E. And she was satisfied sufficient checks had been made when the second account had been opened and it wasn't unreasonable for Clydesdale to set up the account with the overdraft facility.

Mrs E didn't agree and said that as the overdraft wasn't granted straight away it was irresponsible for her to be given further borrowing when the first account had an outstanding balance owed on it.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mrs E's original bank account didn't allow her to have any overdraft facility. The terms and conditions of the account said *"you cannot use the Readycash Account to have an overdraft. This means that we will not agree to provide you with planned borrowing and we will only allow unplanned borrowing in the following exceptional circumstances..."*

But I can see that Mrs E's Readycash account did go overdrawn from time to time because of authorised transactions when there were insufficient funds in the account, so I can understand why Mrs E might have wanted to get another account which did allow her such a facility.

But while the Readycash account did occasionally go overdrawn, having looked at the statements for that account, it seems that the account always went back into credit and was in credit at the time she applied for the second account. I know that Mrs E has said that many of the transactions were with gambling sites and I accept this was the case. But I don't think it was for Clydesdale to tell Mrs E how to spend her money and the account activity in itself wouldn't have prompted Clydesdale to think Mrs E was in financial difficulty before she applied for the second account.

But I would expect Clydesdale to carry out proportionate checks to see if it could give Mrs E the new account with an overdraft facility. Having established that the other account seemed to have been managed well, I've gone on to consider the evidence of the credit check and other information Clydesdale gathered when it considered her application for the second account. I can see Clydesdale asked for an income and expenditure assessment and as I haven't seen anything else that should have prompted it to do more checks than it did, I think these checks were in proportion to the amount of credit it offered. So, I don't think Clydesdale was irresponsible or unreasonable in allowing Mrs E a new account with an overdraft of £500.

I note Mrs E has suggested the overdraft wasn't granted at the outset. But Clydesdale has provided a copy of the letter it sent to Mrs E when the account was opened and this confirmed the overdraft was agreed upon the opening of the account.

I can see that Mrs E began to transfer funds between the two accounts very quickly after she had the new account. And she reached the agreed overdraft limit on the new account within six days. Although this was back in credit three days later, I think it's clear by now Mrs E's transactions were becoming more erratic and I would have expected Clydesdale to have picked up on this.

And I believe that it did. The letters it sent to Mrs E in March and April 2016 set out the charges that had been applied to the account, and offered Mrs E the opportunity to contact the bank to discuss her situation, which I think would have allowed her to discuss making any adjustments to the account to reflect her situation if this was required. I've also seen that in April 2016 Clydesdale did decline an application from Mrs E to increase her overdraft facility. So, I believe overall Clydesdale was making responsible lending decisions based on Mrs E's financial situation.

Mrs E has said that Clydesdale shouldn't have lent her any money whilst she had an outstanding overdraft and should have been aware she had a problem with gambling at that time. She said her credit file had been affected and she had suffered fees and interest on the new account she wasn't in a position to pay.

I haven't seen the evidence of the effect of this lending on Mrs E's credit file, but I don't think that's material to the outcome of the complaint. Based on the information that was known about Mrs E's credit history at the time of her application for a new account, including how the other account had been managed, I think Clydesdale acted reasonably in opening it with an

overdraft facility. I haven't seen any reason why it shouldn't have done so at that point. And overall I think Clydesdale did take the required steps to make Mrs E aware of the cost and other implications of the borrowing she had used, offering her the opportunity to discuss the situation as necessary.

I note that Mrs E's accounts were subsequently closed and there's no outstanding debt. So, for the reasons I've given I won't be asking Clydesdale to refund any interest and charges.

my final decision

My decision is that I think Clydesdale Bank Plc has acted fairly and reasonably in this case so I'm not upholding Mrs E's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs E to accept or reject my decision before 5 December 2018.

Keith Lawrence
ombudsman