

## **Complaint**

Miss S has complained about an overdraft National Westminster Bank Plc (“NatWest”) provided to her.

She says the overdraft was irresponsibly provided as it was given to her at a time where she had no set income.

## **Background**

NatWest provided Miss S with a student overdraft for £100 in February 2018 the limit was gradually increased until it reached £750 in June 2018 and then gradually increased to £2,000.00 during the course of July 2018.

The overdraft was to be interest and fee free for at least the duration of Miss S’ studies provided she stayed within her limit. Once she completed her studies, in the first year no interest would be charged, in the second year, after completion, interest would not be charged on the first £1,000.00 of any overdrawn balance. And finally in the third year after Miss S completed her studies interest would start being charged on the entire balance.

As I understand it, Miss S started her course in 2017 and was due to complete it in 2020. And interest started being added to her overdraft in November 2022. Miss S was unhappy when interest started being added and complained arguing that she shouldn’t have been provided with her overdraft in the first place. As NatWest’s didn’t agree to her complaint she referred the matter to our service.

One of our investigators reviewed what Miss S and NatWest had told us. And he thought that NatWest hadn’t done anything wrong or treated Miss S unfairly. So he didn’t recommend that Miss S’ complaint be upheld. Miss S disagreed and asked for an ombudsman to look at her complaint.

## **My findings**

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

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 Miss S’ complaint.

Having carefully considered everything, I’ve decided not to uphold Miss S’ complaint, I’ll explain why in a little more detail.

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 Miss S could afford to repay before providing her with an overdraft and her limit increases.

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 it agreed to Miss S' application after it carried out a credit search and obtained some information about her income and expenditure. On the other hand, Miss S says NatWest initially provided this overdraft and then the subsequent limit increases at a time when she had no income.

I've carefully thought about what Miss S and NatWest have said.

I know Miss S says that the overdraft was provided to her at a time where she had no set income. However, having looked at her statements, I can see that Miss S was in receipt of credits in the form of student support as well as funds from a part time job. So I don't think that it was a case of NatWest providing Miss S with an overdraft and then increasing it without the account receiving any credits.

It's also worth noting that Miss S didn't have to pay any interest or charges for some time provided that she kept within her overdraft limit. I think this is important context to keep in mind in this particular case. And in these circumstances, it's difficult for me to agree that agreeing this overdraft was wholly unreasonable given it was interest free and therefore a far better alternative to any other alternative sources of credit Miss S is more likely than not have turned to.

Furthermore, as the account continued to receive credits in line with the terms and conditions of the facility, I don't think that it was unreasonable for NatWest to continue providing it. I appreciate that Miss S has said that it has become difficult for her to reduce the balance on the overdraft since NatWest started adding interest in November 2022 and she wants a repayment plan to help her do this. I'm sorry to hear that Miss S is having difficulty repaying her overdraft.

However, I think it's important to set out that NatWest hasn't refused to set up a repayment plan for her. On the contrary, it has said that this is something that it is prepared to discuss with Miss S and put in place provided she gets in touch with its financial difficulties referral team, which is able to consider this. I don't think that this is unreasonable given NatWest will need to establish how much Miss S is able to pay and for how long.

And while I appreciate that Miss S may be reluctant to discuss matters with NatWest's financial difficulties team as this could result in adverse information being recorded with credit reference agencies, I would encourage her to cooperate with NatWest in order to reach a suitable agreement for repaying her facility. I'd also remind NatWest that it is unlikely to be fair and reasonable for it to allow Miss S' overdraft usage to continue in the way it is indefinitely bearing in mind all of its obligations.

Overall and having considered everything, I don't think that NatWest treated Miss S unfairly or unreasonably when providing her with an interest free overdraft or when directing her to its financial difficulties team. And I'm therefore not upholding Miss S' complaint. I appreciate this will be very disappointing for Miss S. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

**My final decision**

For the reasons I've explained, I'm not upholding Miss S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 5 December 2023.

Jeshen Narayanan  
**Ombudsman**