

Complaint

Mr A says that Nationwide Building Society (“Nationwide”) unfairly gave him an overdraft limit of £2,000.00 which it was evident he was unable to repay.

Background

In February 2020, Mr A successfully applied for six overdraft limit increases in the space of four days taking his overdraft limit from £150 to £2,000.00.

Mr A complained about his overdraft in December 2022. Nationwide accepted that it shouldn’t have increased Mr A’s overdraft in February 2020 and it went on to refund all the interest Mr A paid from March 2018 onwards in order to put things right. Mr A remained dissatisfied and referred his complaint to our service.

One of our adjudicators looked into Mr A’s concerns. She thought that what Nationwide had already done to put things right was fair and reasonable in the circumstances.

Mr A disagreed. So the complaint was passed to an ombudsman for a final 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.

Having carefully considered everything provided, I’m satisfied that what Nationwide has already done to put things right is fair and reasonable in the circumstances of Mr A’s complaint. I’ll explain why I’ve done so in a little more detail.

Nationwide has accepted that it shouldn’t have agreed to increase Mr A’s overdraft limit in February 2020 and it failed to act fairly and reasonably towards Mr A by allowing him to continue using his overdraft from this point onwards.

Where a business accepts (or we decide) it did something wrong, we’d expect the business to put the consumer in the position they would be in if that wrong hadn’t taken place. And in an ideal world, we’d tell a business to put a consumer in the position they’d now be in if they hadn’t been given the credit they shouldn’t have. However, that’s not possible in cases where funds that shouldn’t have been advanced because typically those funds will have already been spent.

So we have to look at a way of asking a business to put things right in a fair and reasonable way. And where a business provided, or continued to allow a consumer to use, a credit facility which it should have realised was unsustainable, we’d typically expect it to put the consumer in the position they’d be in now if they hadn’t paid any further interest and charges on that credit.

This means we’d normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable. And if those

interest and charges were paid also add 8% simple interest per year. Nationwide has actually gone further here and refunded all the interest Mr A paid on his overdraft from March 2018 onwards.

Mr A has been left with an outstanding balance even though the credits he's made to his account have been factored in and he's been 'refunded' all of the interest, fees and charges applied from March 2018. But while Mr A is likely to be left with an outstanding balance to repay and he might be unhappy with this, Nationwide has already done more than what I'd normally expect a firm to do in this position.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit it shouldn't have (such as here), we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Mr A believes that Nationwide should do even more. As I understand it, he's unhappy at being left with a balance and the adverse information registered on his credit file. I've carefully thought about what Mr A has said.

But all the interest, fees and charges Nationwide shouldn't have added have already been removed from the overdraft balance. So all Mr A will be left with to repay are the funds which he used. And while I appreciate that Mr A has experienced difficulty, I think it's fair and reasonable to expect him to continue repaying this in the way that he has been.

I now turn to Mr A's credit file. Mr A is unhappy at the adverse information Nationwide has recorded on his credit file. However, he's also said that he has bad judgement when it comes to money management. But by asking Nationwide to remove any adverse information, I'd effectively be asking Nationwide to record that Mr A's overdraft has been repaid in circumstances where Mr A still has a balance to repay.

I think that it would be unfair to Nationwide and Mr A, unreasonable its logic and inaccurate if I asked Nationwide to amend Mr A's credit file in this way – as that doesn't reflect what would more likely than not have, or did actually, happen here.

In my view, requiring Nationwide to amend Mr A's credit file in the way he's suggested would be counterproductive and arguably not in Mr A's best interests, or those of any potential lender. This is especially the case as Mr A acknowledges he has bad judgement when it comes to money management and making his credit history looking better than it actually was, has the potential to exacerbate this.

Having carefully thought about everything, including everything Mr A has told us, I'm satisfied that Nationwide reflecting the outstanding balance on Mr A's credit file is fair and reasonable. So while I can understand why Mr A is disappointed to be left with a balance to repay and adverse information on his credit file, I'm not satisfied that these are compelling reasons for me to depart from our usual approach here.

Overall and having considered everything, I'm satisfied unsustainably that what Nationwide has already done to put things right for Mr A is fair and reasonable in all the circumstances of this complaint. As this is the case, I'm satisfied that Nationwide hasn't treated Mr A unfairly and I'm not upholding his complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 25 September 2023.

Jeshen Narayanan
Ombudsman