

The complaint

Mr W complains that National Westminster Bank PLC (NatWest) caused him financial difficulties when it failed to remove his overdraft facility following a complaint with this service

What happened

Mr W brought a complaint to this service about irresponsible lending concerning an overdraft facility he had on his NatWest account. The complaint was upheld, and it was agreed that NatWest would refund the interest and charges that had been paid for the overdraft facility since 1 April 2017. NatWest said if this resulted in Mr W's account moving to a positive balance it would remove the overdraft facility.

On 31 January 2023 the case closed, and Mr W was informed that NatWest should make the settlement within four weeks from this date. On 5 February 2023 Mr W contacted this service asking if NatWest could consider giving him an advance on the settlement. Although this isn't something we would normally do we put this request to NatWest. NatWest responded on 6 February to say they had processed the refund the same day and that it should be showing on Mr W's account but that the interest would show overnight. The payments that were made to Mr W's account were:

- £1,420.40 charges paid on overdraft since 1 April 2017
- £1,893.04 interest paid on overdraft since 1 April 2017
- £616.30 8% simple interest

This brought Mr W's account balance from £1,668.67 overdrawn to a credit balance of £2,261.07. NatWest didn't remove the overdraft facility at the same time. Mr W began using the funds and went back into an overdrawn balance on 15 February 2023. By 28 February 2023 Mr W was more than £1,600 overdrawn.

In mid-April 2023 Mr W contacted this service to say NatWest hadn't removed the overdraft and was now charging him interest again and he didn't think this was fair. A complaint with NatWest was raised on his behalf. NatWest responded to Mr W, it split the interest it had charged into two parts:

- It had charged £11.43 it shouldn't have as this was partially for a time prior to the original settlement. It refunded this.
- As a gesture of goodwill, it agreed to waive the interest applied to his overdraft that was due to be taken out in April 2023 (£45.86). It also agreed to waive interest charges for the current charging period 31 March -1 May 2023. But said charges would resume after that unless Mr W came to an arrangement with its financial difficulties team to repay the overdraft.

Mr W remained unhappy with this, he felt that had NatWest removed the overdraft, as it said it would, then he wouldn't have spent the money. As he had assumed he was spending his own money. He said he had needed to use the money to pay other borrowing he had as he was being charged high interest for this. So he asked us to consider his complaint.

Our investigator didn't think Mr W's complaint should be upheld. In summary he said, he didn't think Mr W had been given the expectation that the overdraft would be removed the same day the refund was credited. The information he was given was that NatWest would have four weeks to complete the settlement. And so, it wasn't reasonable for Mr W to have assumed the overdraft had been removed. He felt the gesture of goodwill NatWest had already offered was fair and didn't think it needed to do more.

Mr W disagreed and so the matter has been passed to me to decide.

What I've decided – and why

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

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

When a settlement is agreed following a complaint with this service, it is expected that the settlement will be completed within four weeks. Given that I would have expected that NatWest should have had until 28 February to get the settlement completed. Mr W had asked for an advance of the refund as he needed money, so NatWest complied with his request and processed the full payment the same day, but it says it was unable to remove the overdraft at the same time.

Mr W confirmed with this service how much the payment was for, so was well aware of what was going into his account. And he sent the investigator an email saying he had seen the payment had been made. He was also aware that prior to the payment he was close to the limit of the £1,700 overdraft. So, I'm satisfied he was or ought reasonably to have been aware of what this would give him in terms of a credit balance. And in turn this would mean he knew how much of the refund he should reasonably be able to spend, without going back to being overdrawn.

Mr W has said that he needed to spend the funds to repay other borrowing he had needed to take out to live. But his statements from February 2023 when the spending happened don't support that. They show payments in excess of £1,000 to an online dating service as well as other spending to garden centres and retail shops. So, I don't agree Mr W needed to spend the overdraft funds to pay off high interest borrowing he had needed for his cost of living.

While I do think NatWest could have acted sooner to remove the overdraft, I think Mr W was well aware of the pitfalls of spending money he couldn't afford to repay, given the previous complaint. And he was aware the overdraft was due to be removed and took advantage of the funds still being available. Given this I'm satisfied the gesture of goodwill offer already made by NatWest is fair and reasonable in the circumstances and so I won't be asking it to do more.

I would remind Mr W of NatWest's suggestion that interest will continue to be charged on his overdrawn balance unless he is able to reach an agreement with its financial difficulties team to set up a payment arrangement. I think it would be in his interest to do this sooner rather than later to mitigate any future interest charges.

I know Mr W will be disappointed with this outcome. But my decision ends what we – in trying to resolve his dispute with NatWest– can do for him.

My final decision

For the reasons set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 January 2024.

Amber Mortimer
Ombudsman