

The complaint

Mr F complains that National Westminster Bank Plc (NWest) lent to him irresponsibly.

What happened

Mr F originally opened his account with NWest as a student in 2003. He had several student overdraft limits in line with the bank's student offers, both when he was an undergraduate and then after he graduated. In October 2016, he asked for an overdraft limit of £1,500 and NWest agreed this. In February 2017, Mr F asked for the overdraft limit to be increased to £1,600 and this was also agreed.

The overdraft limit of £1,600 remained in place up to when Mr F complained to NWest in August 2023.

Mr F complained (via a third-party firm of solicitors) that NWest lent to him irresponsibly. He said the bank couldn't have completed the necessary checks. He was now locked into a 'hardcore' overdraft which he couldn't repay and was paying a high rate of interest and charges as a result. He couldn't afford the overdraft and NWest should've established a more appropriate form of borrowing for him.

Mr F says NWest should refund all charges and interest; pay 8% per annum on the refunds; pay compensation for distress and inconvenience; and remove any adverse information from his credit file.

NWest said:

- Mr F had a student overdraft of varying levels from 2003 up to 2012/2013 (when he graduated).
- After that time, Mr F applied for an overdraft limit of £1,500 in October 2016 and £1,600 in February 2017. These were approved by NWest's automatic approval processes. These included a credit search and credit reference agency data.
- At the time of these applications, Mr F declared he had regular monthly income of £1,800 and then £1,900; and 'net free funds' (after expenses) of £243 and £257 each month.
- So, NWest approved the overdraft limits – as they felt he could afford the borrowing and could repay the overdraft.
- Since that time, Mr F has repaid the overdraft on a number of occasions, and so could have cancelled the limit. He also received overdraft text alerts since November 2019.
- NWest contacted Mr F in May 2020, October 2020, February 2022 and February 2023 to invite him to speak to the bank about the options available for the overdraft. But Mr F didn't contact the bank.

NWest didn't uphold Mr F's complaint and so he brought it to us.

Our investigator didn't uphold the complaint either. And he said the approvals up to and before February 2017 were out of time under our rules – as it was more than six years before Mr F complained (in August 2023). Mr F accepted this and so he looked at what happened after August 2017.

Our investigator said:

- Mr F's bank statement showed he had a regular income, although amounts differed. The range of income was between £2,000 and £2,800 monthly. But it looked like Mr F had enough income to repay the overdraft.
- When the salary/income was received, the overdraft was usually repaid. This gave Mr F the chance to cancel the overdraft if he wished.
- Mr F transferred amounts to another bank.
- He couldn't see how NWest could've seen he was in financial difficulty.
- There wasn't any evidence of returned or 'bounced' items – suggesting Mr F was paying his way.
- NWest had contacted him on four occasions between May 2020 and February 2023 to discuss the overdraft. That didn't mean that NWest considered Mr F to be in difficulty. But Mr F didn't respond.

Mr F said he does have another bank account but doesn't have savings to pay off the overdraft. Mr F asked that an ombudsman look at his complaint; and so it has come to me to make a final decision. **(continued)**

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.

All lenders have an obligation to lend money responsibly. We have to check whether NWest acted in line within the Financial Conduct Authority (FCA) rules on creditworthiness

assessment as set out in its handbook, (CONC) section 5.2. These say that a firm must undertake a reasonable assessment of creditworthiness, considering both the risk to it of the customer not making the repayments, as well as the risk to the customer of not being able to make repayments. We look at:

- Whether the lender completed reasonable and proportionate checks to satisfy itself that the borrower would be able to repay any credit in a sustainable way?
- If reasonable and proportionate checks were completed, did the lender make a fair lending decision bearing in mind the information gathered and what the lender knew about the borrower's circumstances?
- And a reasonable and proportionate check would usually need to be *more* thorough:
 - the lower a customer's income, and the higher amount to be repaid.
 - the greater the number of loans and frequency of loans.
 - the longer the term of the loans

It's important to note that the checks must be proportionate to the amount being lent – so the higher the amount, the greater the checks must be, and the lower the amount, then fewer checks can be made.

I can't look into the approvals of Mr F's student overdraft limits, or the approvals up to February 2017 – as these took place more than six years before Mr F complained. And he didn't complain within three years of becoming aware he had cause to complain. We explained this to his advisors, and he accepted this.

Therefore, I can only look at what happened since August 2017 (i.e. six years before he complained to NWest.)

I looked at Mr F's statements since 2017 – these are a good indication of how Mr F was managing his finances. These show:

- Mr F had a regular income of around £2,000 each month up to November 2020. And up to then, there was a good 'swing' when the salary arrived – and the overdraft was usually repaid each month. This shows Mr F was using his overdraft as the bank would wish – i.e. for short term borrowing; repaid each month.
- After that time, Mr F received credits into the account, but less regularly. But there was still a good 'swing' on the account and into a credit balance regularly.
- After January 2022, Mr F appears to have gained another job with regular monthly income. And again, the account balance swung into credit fairly regularly.
- In general, such account behaviour indicated that Mr F was paying his way and wasn't in financial difficulty.
- I'm satisfied that Mr F wasn't in 'hardcore' borrowing – as the account was swinging into credit regularly.

That said, NWest did contact him on four occasions – in May 2020, October 2020, February 2022 and February 2023 to ask him to discuss the overdraft. I looked at the letters NWest sent. They said *"Overdrafts are meant for short-term borrowing; for example, an unexpected bill the week before payday. There might be other forms of borrowing that could be better value for you. If you're relying on your overdraft too often, we've included some information to help you with your usage..."*

It looks to me as if NWest were offering a review, and one outcome may have been to agree a personal loan to replace the overdraft – which would typically be less costly than the overdraft borrowing. NWest don't have a record of Mr F contacting the bank – so Mr F didn't take up NWest's invitation. But here, I'm satisfied that NWest did what they could to help Mr F and reduce his banking costs.

Therefore, in summary, I consider NWest acted reasonably in the way they managed Mr F's overdraft. And I'm not asking NWest to do anything here.

While this isn't part of my decision, Mr F might still wish to contact NWest to discuss his situation with the bank – to see if, based on his current circumstances, the bank will agree to a personal loan to repay the overdraft. But - this will be subject to NWest's lending criteria and it is the bank's decision whether or not to agree the loan.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 April 2024.

Martin Lord
Ombudsman