

## **The complaint**

Mr C is complaining that National Westminster Bank Plc lent to him irresponsibly by providing him with an overdraft on two separate occasions.

## **What happened**

In September 2021, NatWest approved Mr C's application for an overdraft, giving him a limit of £500 and then increasing it to £1,500 about a week later. Shortly afterwards, he asked to reduce the limit to zero – which NatWest approved. In October 2022, Mr C applied for a further overdraft, this time for £1,750, and it was again approved. Mr C also applied for loans with NatWest – of £5,000 in September 2021 and a further £5,000 in October 2021 - which were approved. He applied for a further loan of £10,000 with NatWest in October 2022 but that one was declined.

Mr C complained to NatWest in January 2023 saying they'd lent to him irresponsibly because at the time of the lending he was already struggling financially and was gambling including speculating on crypto assets. He complained about both the loans and the overdraft lending – but I'll only consider the overdraft lending in this decision.

In their response to Mr C's complaint, NatWest said they'd undertaken appropriate checks to make sure the overdraft requests met their affordability guidelines. They said they'd looked at information provided by Mr C in his application, reviewed data from Credit Reference Agencies (CRAs) and used data from the Office of National Statistics (ONS). They also said they look at how accounts are managed with them. In summary, they didn't uphold his complaint and Mr C brought it to our service.

One of our investigators looked into Mr C's complaint but also didn't uphold it. In summary, her view was that NatWest had done proportionate checks before lending to Mr C and had acted fairly in approving the finance.

Mr C wasn't happy. He noted the high level of credit he had at the time of the October 2022 overdraft in particular. He commented that he was close to his credit limit on all of the credit facilities he had and commented further on his income and his spending. Mr C asked for an ombudsman's decision – and the matter's come to me.

## **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.

Having done so, and acknowledging that it'll be disappointing for Mr C, I'm not upholding his complaint for broadly the same reasons as our investigator – I'll explain more below.

### *What's required of lenders?*

The Financial Conduct Authority (FCA) sets out in a part of its handbook known as CONC what lenders must do when deciding whether or not to lend to a consumer, or when increasing the amount they lend to a consumer. In summary, a firm must consider a customer's ability to make repayments under the agreement without having to borrow further to meet repayments or default on other obligations, and without the repayments having a significant adverse impact on the customer's financial situation.

CONC says a firm must carry out checks which are proportionate to the individual circumstances of each case.

### *Did NatWest carry out proportionate checks?*

#### September 2021

Given NatWest's first lending decision was only a week before their second one, I've only considered the second decision, for the larger amount. NatWest have told us they:

- Verified Mr C's net monthly income of £1,400 using automated account turnover checks;
- Used ONS data and Mr C's application data to estimate his disposable income;
- Looked at how his existing NatWest accounts were managed; and
- Checked Mr C's credit file.

Whether or not these checks are proportionate depends on the amount and term of the lending, and what NatWest found.

NatWest noted no adverse information on Mr C's credit file and appear not to have found any existing credit commitments. It's not clear why this was the case. NatWest haven't sent us a copy of the credit report they looked at and looking at the credit report Mr C sent, it appears he had a credit card with a balance of around £800 and an existing overdraft facility at a different bank which was maxed out at £2,000. But he had no adverse markers so I can't say the credit report should have caused NatWest particular concern.

NatWest were approving a credit limit of £1,500. As it was revolving credit, there's no set amount that needed to be repaid each month, but CONC 5.2A.27R requires a firm to assume when carrying out its assessment that the entire credit limit is drawn down at the earliest opportunity and repaid in equal instalments over a reasonable period. It's not clear what assumptions NatWest made, but I'm satisfied they could have reasonably assumed Mr C would need to pay them around £50 - £100 per month.

NatWest verified Mr C's income of £1,400 per month and used statistical data and the information from his application to estimate he had disposable income of around £810 per month. So I'm satisfied their checks were proportionate – the monthly amount needed to repay the overdraft within a reasonable period was a relatively small fraction of his disposable income and NatWest hadn't found anything to suggest further checks were warranted.

### October 2022

NatWest carried out the same checks again when they reviewed Mr C's application for a £1,750 overdraft limit. This time, they verified Mr C's income was £2,000. And again they found no adverse information on his credit file.

NatWest didn't note how much credit Mr C had in total but they noted he had commitments of £213 per month for loans and £64 per month for credit cards. When they deducted this and his estimated other living expenses from his income they estimated his disposable income was £958 per month. Again, the amount needed to repay the loan within a reasonable period was a relatively small fraction of Mr C's disposable income and NatWest hadn't found anything to suggest further checks were warranted.

### *Did NatWest make fair lending decisions?*

Having decided that NatWest carried out proportionate checks, I have to consider whether they made fair lending decisions on each occasion.

### September 2021

In September 2021, NatWest noted Mr C's net monthly income was around £1,400 and his living costs were around £590. They didn't note any credit commitments, and estimated his disposable income was around £810 per month. Mr C's credit file suggests he had existing revolving credit of around £2,800 at the time. It's unclear why NatWest didn't pick this up but if they had, I'd expect them to have deducted around £140 per month from Mr C's disposable income. That would still have left Mr C with plenty from which to make reasonable repayments on the overdraft.

I've also considered Mr C's testimony about his gambling. CONC requires that a firm take into account information of which it is aware at the time of the lending decision. NatWest had access to Mr C's history of banking with them and told us it had taken this into account. Having reviewed his statements in the lead up to his overdraft application, I can see that Mr C was using the account for several crypto transactions each month. However, I'm not persuaded from the frequency and amount of these transactions that NatWest should have been aware this behaviour was compulsive, so I can't say NatWest should have declined the loan on that basis.

In summary, I'm satisfied that NatWest acted fairly in approving Mr C's overdraft in September 2021.

### October 2022

By this time, Mr C's credit report suggests he had active credit totalling around £13,500. This included two loans, with monthly repayments totalling around £370. I'd have expected NatWest to assume Mr C would also need to pay around £350 per month on his revolving credit commitments. So in total, he'd need to be paying £720 per month to his creditors before taking out this new overdraft. Allowing £100 per month for his new overdraft would still have left Mr C with around £400 per month in disposable income – so NatWest could still have fairly decided to lend to Mr C. Even taking into account that Mr C's income appears to have actually been just under £1,800 per month instead of £2,000 per month, I'm satisfied NatWest could still have decided Mr C had enough disposable income to cover emergencies and discretionary spending.

Looking at Mr C's NatWest statements for the three months leading up to this overdraft application, I can't see any evidence of gambling or crypto transactions – aside from his wages and loan repayments there were very few transactions apart from to transfer money to other bank accounts in Mr C's own name.

Mr C's previous use of his overdraft facility had been for a very short term and a specific purpose. It's clear that Mr C used it, and also a loan from NatWest at around the same time, for speculative transactions. But he repaid the overdraft facility almost immediately and appeared to be having no trouble making his loan repayments. And although Mr C says his gambling and speculation wasn't discretionary at this point, I don't think there's anything in his NatWest bank statements to suggest that NatWest should have been aware of that.

In summary, although I'd expect NatWest to have taken the information about Mr C's previous overdraft usage into account before deciding to lend to Mr C, I wouldn't expect them to have declined the lending based on what I've seen. I'm satisfied they acted fairly in approving Mr C's overdraft facility in October 2022.

### **My final decision**

As I've explained above, I'm not upholding Mr C's complaint about National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 April 2024.

Clare King  
**Ombudsman**