

The complaint

Miss B complains that National Westminster Bank Plc aren't taking into account her personal circumstances regarding her borrowings with them.

What happened

Miss B says that during the pandemic she lost all of her income for over two years, and she has also been suffering from physical and mental health issues for around four years. She says her credit card and loan repayments were stopped during the pandemic, but NatWest required her to start making repayments which came to over £600 a month without asking her to fill in her income and expenditure. She says that in October 2022, she asked for a stop to be put on her repayments as she was unable to afford these. She asked them for an affordability check to be completed, but Miss B says they refused, and they've suggested she goes down a default route, with her overdraft being removed which she relies on. Miss B made a complaint to NatWest.

NatWest did not uphold Miss B's complaint. They said they had correctly followed their internal processes and advised her that if she cannot come to an arrangement for her debt then they will rightfully start the default process. They said she was also correctly given the option to go down the default route as her loan cannot be maintained. NatWest said the only way to stop the interest and charges on her personal account is to be defaulted and for her to open a new account without an overdraft. Miss B brought her complaint to our service.

Our investigator did not uphold Miss B's complaint. He said when a consumer suffers ill health, and financial difficulties, we expect a business to listen, and to put reasonable measures in place to help. He said NatWest twice agreed to defer payments, as well as providing breathing space, and forbearance. He said they reviewed her finances and agreed a repayment plan. But unfortunately Miss B was unable to maintain this due to a change in her circumstances.

Miss B asked for an ombudsman to review her complaint. She said she wasn't given a reasonable repayment plan and given her circumstances she would have expected either to be given more time to pay, or a monthly amount that would not have been financially crippling to her. Miss B said she is now working part time, so she would like NatWest to reconsider and suggest another repayment plan which is more sympathetic to her situation.

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.

Miss B has made a number of points to this service, and I've considered and read everything she's said and sent us including detailed information about her health. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of her complaint in deciding what's fair and reasonable here.

Due to the pandemic. Miss B suffered a loss of income. NatWest deferred her payments

twice for three months each time. But due to Miss B's personal circumstances at the time, she was unable to return to making her contractual payments. She notified NatWest about her financial difficulties and her health situation, and they correctly identified her as a vulnerable customer. So what we would expect NatWest to do here is to listen to a borrower, get an understanding of her individual circumstances and discuss what help is appropriate.

I can see that NatWest treated Miss B positively and sympathetically by not only giving her the payment deferrals, but they also showed her further forbearance by giving her breathing space. A default would usually occur if the customer falls into arrears on their account, or they do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down. As a general guide, this may occur when somebody is three months in arrears, and normally by the time somebody is six months in arrears.

So I do think that NatWest took Miss B's circumstances into account by not registering a default when they would have been able to go down the default route a lot earlier than what they are proposing now. And I'm satisfied that this was an appropriate route as in late 2021, Miss B and NatWest did come to an arrangement. So a default would have been premature if NatWest went down this route when they could have done.

I've looked at NatWest's system notes regarding this arrangement. Prior to this plan being agreed, I can see the income and expenditure that Miss B told them, so I can't agree they didn't go through her income and expenditure prior to the plan being in place. This showed her as having £1,704 a month income, and expenditure of £711 a month, so it does appear that Miss B had the affordability to make repayments. She agreed to enter into an 18 month plan. And it does appear that Miss B was able to maintain her repayments for nearly a year before she phoned NatWest in September 2022 to let them know her financial circumstances had changed.

So it appears the plan was affordable for Miss B originally as she had maintained her repayments, but when her financial and personal circumstances changed, this is when the repayments appear to have become unaffordable. So NatWest applied further breathing space. It appears Miss B gave NatWest her outgoings in November 2022, and she told them that while she was working 10 hours, she would be losing two hours, and will be losing another two hours.

Based on this, NatWest suggested the default route. And I'm not persuaded this was an unfair suggestion. NatWest had provided forbearance for a substantial amount of time given the guidance on when a default would typically be registered. And when Miss B broke the arrangement, NatWest could have gone down the default route straight away. But they didn't, and they gave her breathing space. But unfortunately an arrangement could not be agreed based on Miss B's financial circumstances. And NatWest had exhausted their options as Miss B first suffered financial difficulties over two years ago. So I can't say they made an error here.

I do note that Miss B has said she is now working part time, so she would like NatWest to reconsider and suggest another repayment plan which is more sympathetic to her situation. So Miss B may wish to give them a call to see if they can come to an agreement on a new arrangement based on her current situation. She may also want to contact the Free Independent Money Advice Services companies that they referred her to in their final response letter. But it follows I don't require NatWest to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 3 January 2024.

Gregory Sloanes
Ombudsman