

## **The complaint**

Mr O complains that National Westminster Bank Plc unfairly applied a default to his account.

## **What happened**

Mr O had an account with NatWest. In April 2021, Mr O received notification that his account would be closed in 60 days and that he needed to repay his overdraft. He says he couldn't afford to do this within the 60 days and called NatWest about this. He says he was told to wait until the 60 days had passed which he did. He was then told his account had been passed to a debt collection company. He called the debt collection company and arranged a payment plan which he kept to.

In October 2022, Mr O says he checked his credit file and found there were missed payments recorded. He raised a complaint which was upheld, and he was paid £100. He says the missed payments were removed but then a default was applied as well as a further missed payment. Mr O also says the default amount didn't match the amount he owed. He says the default should be removed.

NatWest issued a final response letter dated 14 December 2022. It noted Mr O's complaint about being told the debt collection company owned his debt and accepted that he had been misadvised. It said that the debt collection company was working on its behalf, and it was NatWest that was responsible for updating his credit file. It noted Mr O's comments about missed payments and said that his account should have been marked with a default from July 2022 as this was when the account entered recoveries. It apologised for the time taken to resolve his complaint. Given the issues raised NatWest sent Mr O a cheque for £100.

NatWest sent a second final response letter dated 4 January 2023 in which it reiterated its previous position set out in the 14 December 2022 final response letter and said two new points had been raised: the recording of the default marker and the balance amount. It explained that it can take six to eight weeks for a credit file to be updated and this was the reason for the difference in the balance amount Mr O noted. It confirmed his balance as of that time. It didn't accept that the default had been recorded incorrectly.

Mr O referred his complaint to this service. Our investigator didn't uphold this complaint. He said the default was an accurate reflection of Mr O's account and that the information provided along with the account closure notice gave Mr O the information he needed about what would happen if repayment wasn't made within the required timeframe. He did think the advisers Mr O spoke to could have emphasised the possible impact on Mr O's credit file but didn't find he had been mis-led or mis-advised. He thought the £100 compensation paid was an adequate award for the misinformation about the role of the debt collection company and the issues in updating Mr O's credit file.

Mr O repaid the amount outstanding on his account and was concerned that his credit file didn't show this. NatWest said the balance was repaid on 19 April, but Mr O said he repaid this in March 2023. Our investigator said that the evidence provided by NatWest showed the payment being received on 19 April and so he didn't think it had done anything wrong in regard to this date. NatWest confirmed that Mr O's credit file would be updated to show the

debt as satisfied with a zero balance remaining.

Mr O didn't agree that the default had been recorded fairly. He said he had an arranged overdraft and had never exceeded it and when he received notice of his account closure, he contacted NatWest. He says he relied on the information given to him about waiting until the 60 days had passed and that NatWest would then make an arrangement for him to repay the outstanding balance. He reiterated that his credit file hadn't accurately reflected his payments.

### **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 can understand why Mr O is upset that a default was applied to his account as well as the other issues he has experienced in regard to the reporting on his credit file. For me to uphold this complaint I would need to be satisfied that NatWest had done something wrong or treated Mr O unfairly and not taken adequate actions to address any mistakes.

I have considered first the issue regarding the recording of a default on Mr O's credit file. Mr O was sent a letter from NatWest dated 7 April 2022 saying that his account would be closed. It provided Mr O with 60 days' notice of the account closure and explained that Mr O would need to make alternative banking arrangements. It formally demanded the repayment of funds owed to the bank by the end of the 60-day period after which its usual debt recovery process would follow. It noted that if repayment wasn't made within the 60 days this could be reported to the credit reference agencies. Mr O did have an overdraft at the time and based on this letter I think NatWest made it clear this needed to be repaid within 60 days or this would impact Mr O's credit file.

The letter also said that if Mr O wasn't able to clear the account within the 60-day period he should call. Mr O did call NatWest and he says that he was told to wait until the end of the 60-day period at which point a payment plan could be set up. He says this meant he wasn't expecting a default to be recorded. I have listened to two calls in April 2022 and Mr O says that he can't afford to make his overdraft repayment and he is told he will be passed to the relevant team. He then speaks to an adviser and asks about payment to his credit card and to be transferred to the credit card team. Mr O then calls NatWest in May 2022 and he explains he has an overdraft and loans. He is told that if he can't pay back the overdraft within the 60 days, he will need to give another team a call (and is provided with the telephone number) and a payment plan can be set up. Mr O then calls NatWest's debt management operations department. Mr O explains he has a loan and overdraft on his account, and he can't settle these before his account is due to close. He is told that he will need to speak to the lending team to set up payments towards his loan and that his overdraft will go to a debt collection agency. On these calls any impact on his credit file isn't discussed.

Having listened to the calls, Mr O didn't ask about any impact on his credit file and so I cannot say that he was mis-led or mis-advised in regard to this. I do think it would have been helpful for the adviser to have made it clear that even though a repayment plan could be set Mr O's credit file would still be affected in the event the overdraft wasn't repaid within the 60-day period. But as the account closure set out what would happen if repayment wasn't made and no further information was given to the contrary in regard to the impact on Mr O's credit file, I do not find I can say the NatWest did anything wrong by continuing with its usual debt recovery process and applying the default.

I have looked through NatWest's system notes and Mr O contacted it in October 2022. The

information recorded says that Mr O is aware his account has a default but that his credit file has reduced, and he wants to understand why. NatWest addressed the issue that missed payments had been applied to Mr O's account in its final response letter dated 14 December 2022. It confirmed that missed payments were showing incorrectly and a default should be recorded. It confirmed it had contacted the credit reference agency about this.

Mr O then raised concerns about the balance recorded on this account. I can appreciate that he was concerned his payments weren't being reflected but it was explained there is a time delay in getting the balance reflected on his credit file. Mr O repaid the balance in March 2023 and NatWest has shown the final payment being received on 19 April 2023. I understand that this delay has caused Mr O concerns, but NatWest has confirmed that the balance has been paid in full and Mr O's credit file will be updated (which should have now happened) to show the debt has been paid and there is no balance outstanding.

I can understand why Mr O is upset by the experience he has had since he was notified that his account would be closed. However, on balance, I do not find I can say that NatWest did anything wrong by applying the default when it did. There have been other issues, including information about the role of the debt collection company, the missed payments on Mr O's credit file and his concerns about the balance amount. While these have been addressed by NatWest, I appreciate they have caused Mr O distress and inconvenience. Given this I agree that he should be compensated but, in this case, I consider the £100 compensation that has already been paid is reasonable. I therefore do not require NatWest to do anything further in resolution of this complaint.

### **My final decision**

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 O to accept or reject my decision before 8 August 2023.

Jane Archer  
**Ombudsman**