

The complaint

Mr B complains that The Royal Bank of Scotland Plc (“RBS”) continued to charge interest on his credit card debt and chase him for payment despite him being in a payment plan.

What happened

Mr B held a credit card account with RBS. In 2022, he entered into a token payment plan with the help of a debt charity. Under this plan, he was going to make a nominal payment towards his credit card debt each month. He says that RBS wasn’t supposed to charge him interest or chase him for payment while the plan was in place. But he says it continued to do so. He says he wrote to RBS but never received a response.

Mr B made a complaint and asked this service to look at it. He says the situation has been stressful and frustrating and that he’s worse off financially due to the ongoing interest and charges. He also says that his credit file has been negatively impacted.

But RBS says it hasn’t charged Mr B interest since March 2022, when the plan was put in place. It says it did write to Mr B, although it accepts that its letters didn’t specifically refer to the token payment plan. It says the letters were regulatory letters which were generated as a result of the plan. RBS says it issued a default notice in June 2022 and subsequently defaulted the account. It says that the default was registered on Mr B’s credit file in August 2022.

Our Investigator didn’t think RBS had done anything wrong. But Mr B didn’t agree and asked for the complaint to be reviewed by an Ombudsman.

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.

RBS says that the token payment plan was put in place in March 2022. From the information I’ve seen, I’m satisfied that’s the case. I note that Mr B made a nominal payment to the account towards the end of March.

RBS says it hasn’t charged Mr B any interest since his March 2022 statement. I note that some of the collections letters from RBS say that interest will continue to accrue on the debt until it is repaid in full. But, having seen Mr B’s statements, I’m satisfied that RBS didn’t actually charge him any interest or other fees after March 2022. I think that was fair.

Mr B says that RBS continued to chase him for payment despite the token payment plan. Having a payment plan like this in place doesn’t mean a creditor can’t take further action to recover a debt. So, it wasn’t necessarily unreasonable if RBS continued to contact Mr B about the debt. But I’ll consider the specific steps taken here to decide if RBS acted fairly.

Mr B says he received a letter from RBS in March 2022. I find that this was a notice of sums in arrears, sent under the Consumer Credit Act 1974. It’s not clear to me whether the token

payment plan had started by the date of this letter. But, even if it had, I think it was reasonable for RBS to send the letter to Mr B. That's because Mr B had missed two payments by this time, so RBS was obliged to give him notice of the arrears.

Mr B says he replied to RBS in April. I haven't seen a copy of this letter, but I don't doubt that Mr B sent it. He says he queried the charges and referred to the token payment plan, commenting that his financial situation shouldn't be made worse. Mr B says he didn't hear from RBS until it sent him another letter at the end of June. I find that this was a default notice sent under the Consumer Credit Act 1974.

The covering letter which RBS sent with the default notice said *"thank you for telling us that you are unable to correct the position on your account because of financial problems"*. Mr B says he wasn't sure what this meant. Although I haven't seen his letter to RBS from April, I think it's likely that RBS understood it to be saying that he wasn't able to pay the arrears and bring his account up to date, which is what the arrears letter was asking him to do. So, I think the June letter was a response to what Mr B had said.

The June letter said that RBS thought the best course of action was to withdraw Mr B's credit card facility. It enclosed the default notice, which it was required to give him before it could terminate his credit card agreement. I think this was reasonable. Although Mr B had entered into a token payment plan, the payments under this were substantially less than what was required under the credit card agreement. I find that RBS was entitled to continue with its usual collections and recoveries process. And I think it was reasonable for it to treat the account as in default given the level of arrears and all the circumstances here.

I find that RBS followed the correct procedure by sending Mr B a default notice. This gave Mr B time to bring the account up to date. Mr B says he replied to RBS in July querying its letter and again mentioning the token payment plan. Shortly afterwards, he received a further letter from RBS telling him that his account had been terminated. I think that was reasonable. Mr B wasn't able to clear the arrears and bring the account up to date, so RBS defaulted the account and terminated the agreement. This is what the default notice had said would happen. RBS then transferred Mr B's account to its debt recovery department, which I think was reasonable.

RBS says it recorded the default on Mr B's credit file. It's important that credit files accurately record a person's financial situation, so I'd expect RBS to report the default to the Credit Reference Agencies.

Mr B is concerned about the effect on his credit file. I haven't seen a copy of his credit file. But I'd expect it to reflect the fact that he was making reduced payments to his credit card debt and that the account was subsequently defaulted. I haven't seen anything to suggest that RBS made any errors in the way it reported the account.

In conclusion, I don't think RBS made any mistakes or acted unfairly. I'm sorry to disappoint Mr B, but I'm not going to ask RBS to do anything here.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 August 2023.

Katy Kidd

Ombudsman