

The complaint

Mr O complains National Westminster Bank Plc treated him unfairly when his account fell into persistent debt.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr O's credit card account fell into persistent debt and NatWest contacted him in early February 2023 to arrange a repayment plan. Mr O spoke to NatWest in early March 2023 and his options were outlined. In summary, Mr O was informed that if he was able to clear the outstanding debt with a six-month repayment plan then he could have continued use of the account. However, if this wasn't possible, and Mr O required more time or if a repayment plan wasn't agreed, the account would be suspended.

As no repayment plan was agreed NatWest informed Mr O on 14 April 2023 that his card had been suspended. Mr O contacted NatWest and it was confirmed the card had been suspended and that the same level of charges and interest would apply to the account, regardless of the suspension. Mr O raised a formal complaint about the handling of his account.

NatWest reviewed Mr O's concerns and issued a final response in early June 2023, explaining it had acted in line with FCA guidelines. As Mr O remained unhappy with NatWest's review, he referred his complaint to our service.

An Investigator looked into Mr O's complaint and found NatWest had acted fairly in the circumstances. Unhappy with the Investigator's review, Mr O asked for his 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.

I am sorry to see Mr O has cause for complaint and I can see many complaint points have been raised. I will, however, focus on issues which are relevant for me to reach a fair and reasonable outcome in the circumstances of this complaint. This isn't meant as a discourtesy. It simply reflects the informal nature of our service. But I'd like to reassure Mr O that I've considered all he's told us and provided us, as I have with NatWest's submissions too.

Mr O believes NatWest have disregarded the regulator's guidance for accounts in persistent debt and treated him unfairly. In light of Mr O's complaint points I've considered whether NatWest managed the debt, and Mr O's account fairly and in keeping with its regulatory obligations.

The Financial Conduct Authority's (FCA) persistent debt rules are set out on the FCA handbook, CONC 6.7.27. They came into force in March 2018, and they say (in summary) that where a borrower is paying more in interest and fees than they are paying towards reducing the amount of the debt, then a repayment plan should be put in place to deal with this. And, where this can't be agreed, the card may be suspended – to stop customers from increasing their debts further. The intention of the rules is to ensure that customers are protected from paying too much interest – and in some cases, never actually repaying their debts. This typically happens if customers only pay the minimum amount each month, while still spending on their cards.

Mr O says that NatWest treated him unfairly as it wasn't clear in its dealings with him how it would handle the account. CONC states that at 18 months of persistent debt, credit card providers are required to write to customers. Should they remain in persistent debt for 27 months, they should notify customers that they are in persistent debt and encourage them to pay more. And if a customer doesn't take sufficient action and remains in persistent debt after 36 months, the rules require a credit card provider to help a customer repay more quickly in a way that does not adversely affect their financial position – typically by setting up a repayment plan over a reasonable period of time. NatWest has provided sample copies of the letters it sent to Mr O and I am satisfied they are clear about Mr O's options and ensure NatWest is following the necessary regulatory guidance.

Mr O says it wasn't made clear the account would be suspended but looking at the letters I can see that this is outlined as an option if a repayment plan isn't agreed. I have also considered the letters Mr O was sent alongside the calls he had with NatWest during this period. During the calls Mr O is informed the card would be suspended and he is encouraged to consider agreeing a repayment plan. However, as Mr O didn't agree to the terms of a new plan, his card was suspended. Based on the available evidence I'm satisfied that potential suspension of the card was explained to Mr O and NatWest took the necessary steps to try and establish a way forward.

Mr O says the six-month time frame proposed by NatWest to repay the debt wasn't in keeping with the persistent debt guidelines. Within the guidelines there are clear dates around how long a consumer has been in debt for and the necessary steps a lender must take. However, there aren't set timeframes about the repayment of outstanding debt. This will vary for each customer, and several factors will need to be considered. In Mr O's case an initial six-month period for repayment was proposed, but I can also see that this could've been extended depending on discussions with Mr O and his financial position. So I'm satisfied NatWest set out this time-frame fairly, and it was in keeping with the account terms and conditions and general industry practice.

Once Mr O's account was suspended, no further debt could be added to the account. This step was taken to help reduce Mr O's indebtedness. However, interest and charges still applied to the outstanding balance. Mr O says it's unfair for the same level of interest to apply given the account has been suspended. The CONC guidelines explain that reducing or removing interest is an option for lenders to help assist customers in persistent debt, but it's not a compulsory requirement. It would be for NatWest to consider Mr O's individual circumstances and assess the best way to assist. I am mindful that Mr O had been making payments towards the card, and he hadn't informed NatWest of any significant financial issues or hardship which it needed to factor in when managing Mr O's account. So, I don't think NatWest acted unfairly in applying the same level of interest as set out in Mr O's initial credit agreement with it.

Mr O has also raised concerns about the service he was provided. Mr O says the questions he was asked during calls with NatWest were patronising. I have listened to the call Mr O refers to, and I have found the call handler to be professional and helpful. I appreciate Mr

O's view, but given his account was in persistent debt NatWest needed to obtain a clear understanding of Mr O's appreciation of the situation and his ability to repay the debt. I can see this call prompted Mr O to raise a complaint, and he says the management of the account should've paused whilst his concerns were reviewed. However, a complaint being raised doesn't pause the handling of an account, and NatWest would be able to review Mr O's concerns whilst still continuing with the proposed plans for his account.

Overall, I'm satisfied NatWest followed the relevant regulatory guidelines at the time for the debt on Mr O's account and it treated Mr O fairly given the circumstances. I realise that this is not the outcome Mr O was hoping for, and he will be disappointed by the decision I've reached. But I hope my decision provides some clarity around why I won't be asking NatWest to take any further action.

My final decision

For the reasons explained above, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 17 April 2024.

Chandni Green
Ombudsman