

The complaint

Mr B has complained that National Westminster Bank Plc ("NatWest") sold his debt without telling him and incorrectly reported additional defaults on his accounts to the credit reference agencies.

Background

Mr B told our service he called NatWest in January 2017 to discuss the overdraft charges on two of his accounts. Mr B said that after talking through some options, he asked NatWest to get back in contact with him – but it didn't. Mr B travelled abroad in April 2017. On his return to the UK he found the accounts had been defaulted and passed to NatWest's agent, who I'll refer to as 'W', to manage.

Mr B called NatWest but has said he was told to speak to W instead. Mr B did as he was asked and agreed a payment plan of £50 per month with W.

Shortly after, Mr B began looking for rental accommodation, but as there were defaults on his credit file, the rental company told him he'd need a guarantor, or to pay an additional deposit. Mr B wasn't able to do either of these things at the time and so approached NatWest once more. NatWest again asked him to speak with W, the company that managed the debt.

Mr B has said W was unwilling to discuss a settlement with him despite having previously sent letters about it. He's said he sent a cheque and a letter to W for the amount he believed was still outstanding. Some time after, he noticed the accounts change from 'defaulted' to 'settled' status on his credit file. He believed this meant the cheque had been accepted.

However, when later checking his credit file, he noticed the defaults had reappeared and the file was now showing four defaults instead of two. It was around this time he found out that the debt had been sold to a third-party company, who I'll call 'C'.

Mr B complained to NatWest about the handling of his debt. NatWest responded to say it was unable to agree the accounts had been sold incorrectly. NatWest said that when it transferred the ownership of the accounts to C, it reported the accounts to the credit reference agencies as 'satisfied' and 'assigned as sold' with a default showing on each of the two accounts.

NatWest told Mr B that C had confirmed it hadn't reported new defaults on his file – only a continuation of the defaults already applied by NatWest. It reiterated that duplicate defaults hadn't been reported on either of the accounts.

Mr B remained dissatisfied with NatWest's response and so our service's investigator looked into Mr B's complaint. She thought NatWest had done enough to make Mr B aware of the defaults and the sale of the accounts. She also said that NatWest wouldn't be able to remove the defaults from his account as it's required to report accurate information to the credit reference agencies. She added that if Mr B felt C had incorrectly reported defaults on his credit file, he'd need to approach C directly.

Mr B didn't accept the investigator's view. He asked for an ombudsman to review the complaint and so it's been passed to me to consider. During this time, the investigator contacted the credit reference agency to ask if defaulted accounts ever show up twice on a credit report. It explained it was possible for a default to appear twice if the account had been sold to another company, as in Mr B's case. It said the NatWest entries have remained on the credit file to show where the debt originated from and no longer impacted Mr B's credit score.

Our investigator forwarded its comments to Mr B, however he hasn't responded and so I've continued to look into his complaint.

Findings

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 I'm not going to ask NatWest to do any more in relation to Mr B's complaint and I'd like to explain why.

I've first considered whether NatWest acted fairly when recording Mr B's accounts as being in default.

NatWest's contact notes indicate Mr B called towards the end of December 2016. The notes state the adviser explained that because Mr B's overdraft accounts hadn't been used for over 12 months, they'd need to be repaid. The note goes on to say the adviser gave Mr B seven days to get back in contact and that he'd been made aware of the consequences of not doing so. I've seen no further records of Mr B calling NatWest until 21 October 2017.

I appreciate Mr B told our service he asked NatWest to get back in contact with him, but the notes from around that time indicate otherwise. While it's possible there was a miscommunication between the adviser and Mr B, I've had to think about the strength of the evidence on file. As Mr B's recollections are from three years ago, but NatWest's contact note was created at the time of the call, I think it's more likely that the contact notes more accurately reflects what was said during the call.

And, as it seems Mr B didn't call NatWest back within seven days – as the note says he was asked to – I don't think NatWest acted unfairly when it took steps to default the account.

The Consumer Credit Act 1974 requires a business to send a default notice before taking measures, such as terminating the agreement, or demanding earlier payment of any sum. Section 88 of the Act says the default notice must specify the following things:

“a) the nature of the alleged breach;

b) if the breach is capable of remedy, what action is required to remedy it and the date before which that action is to be taken;

c) if the breach is not capable of remedy, the sum (if any) required to be paid as compensation for the breach, and the date before which it is to be paid.”

NatWest has provided a copy of the default notice it sent in January 2017. It appears to meet the requirements quoted above and is correctly addressed.

NatWest's contact notes show the entries: 'Default Notice Issued' on 6 January 2017 and 'Formal Demand issued' on 6 February 2017. While Mr B has said he didn't receive any letters in relation to the default, I think it more likely than not, given the correctly addressed default notice and the system notes, that they were sent. Because of this, I think it'd be unfair to hold NatWest responsible for the letters not being delivered, as it appears to have done everything I'd reasonably expect it to do under the circumstances.

NatWest's terms allow it to sell debt under certain conditions. Section 11.5 – "Transferring rights or obligations under this agreement" – states;

"We may transfer our rights or responsibilities under this agreement to another person or organisation in the future. We'll only do this if we reasonably believe that you'll be treated to a similar standard after the transfer as we treated you beforehand."

NatWest sold Mr B's debt in 2019, more than two years after the default notice was issued. Mr B said he'd sent a cheque for what he thought was the outstanding amount, despite no formal settlement agreement being reached between himself and W. Under these circumstances, I don't think it unreasonable to expect Mr B make enquiries with W as to whether the debt was settled. But it appears the debt remained outstanding and was later sold by NatWest in line with its terms. So I don't think NatWest has done anything wrong in this respect either.

I've also thought about Mr B's complaint point that four defaults showed on his credit file instead of two. NatWest has confirmed it only reported two defaults – one on each account. It said it checked with C, the buyer of the debt, as to whether more defaults were added. According to NatWest, C hasn't reported any additional defaults, but is obliged to report a continuation of the defaults already recorded. Because of this, C is reporting the defaults on NatWest's behalf.

Mr B provided a screenshot which he believes show four defaults have been reported. As mentioned above, the credit reference agency has said that while it may appear this way, it isn't the case, and C is reporting the original defaults to show where the debt originated from. So, based on this, I don't think NatWest incorrectly reported additional defaults on Mr B's account to the credit reference agencies.

While I understand how disappointed Mr B is, for the reasons set out above I'm unable to find that NatWest made an error in how it reported the defaults or sold Mr B's debt, and so I'm unable to uphold his complaint.

My final decision

For the reasons set out above I don't uphold Mr B's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 24 December 2020.

Karen Hanlon
Ombudsman