

## **The complaint**

Mr P complains about what happened after Nationwide Building Society took the agreed overdraft off his current account. He said that the account was defaulted, even though he was making payments, which he said he'd agreed with Nationwide.

## **What happened**

Mr P had an account with Nationwide, which had a modest agreed overdraft. Nationwide contacted Mr P in April 2019 to say that the amount of money he was paying into his account wasn't enough to show that his arranged overdraft was suitable. So it was going to remove the overdraft in a little over a month's time. It said he had to pay the money back.

Mr P contacted Nationwide in June about his account. He told us that on this call he'd entered into an arrangement with Nationwide to pay £10 per month, until the debt was paid off. And he was paying this amount. So he said he was very upset to find that the account had been defaulted. He's since paid the debt off.

Mr P thought Nationwide had broken its agreement with him, and acted unethically by defaulting an account that he was making payments towards.

Nationwide said that there was no agreement to pay £10 per month. It didn't think it had made a mistake by defaulting the account.

Our investigator didn't think this complaint should be upheld. He said he'd listened to the relevant call, and Mr P didn't agree a payment plan with Nationwide. The effect on his credit file was explained to Mr P on this call, and he was told that if he didn't get in touch again after a month, then the account could be defaulted. Our investigator didn't think Nationwide had done anything wrong.

Mr P didn't agree. He said he was surprised that an account which was receiving payment could go into default. He said we should be looking at what happened between May, when the overdraft was removed, and September, when he made his last payment. He said he had an agreement to pay £10 per month, and he'd stuck to that. But even if he didn't have an agreement, he thought that Nationwide shouldn't have defaulted an account he was paying money into. Our investigator didn't change his mind, so the case was passed to me for a final decision.

Mr P then wrote again. He repeated that he thought it was unethical for Nationwide to have defaulted his account. He said that he isn't struggling overall with his financial obligations, and so the default on this credit file created a dent in his credit history. He explained the difficulties this was now causing him, and said he wanted the default to be removed.

## **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've reached the same overall conclusion as our investigator.

Nationwide removed the agreed overdraft on Mr P's account because the payments into the account weren't enough to show the overdraft was suitable for him. I don't think that was an unreasonable thing for Nationwide to do.

Nationwide gave Mr P over a month's notice that it was doing this. Overdrafts are repayable on demand, so once Nationwide had removed the overdraft, the terms of Mr P's account meant he should've paid all the money back to Nationwide straight away.

When someone's not paying back a debt in line with the original agreement, that usually shows on their credit file. Different circumstances though will have a different impact on a credit file. For example, if someone's reached an agreement with the bank, and is paying the money back, then that usually has less of an impact than other options.

Mr P wasn't able to pay all the money back right away, as the original agreement envisaged. He spoke to Nationwide on the phone in June. I understand that Mr P recalls entering into an agreement with Nationwide to pay £10 per month on that call. But both our investigator and I have listened to this call, and neither of us think that Mr P did this. He didn't have any agreement with Nationwide to pay the money back.

What I can hear on that call is that Mr P didn't want to enter an agreement to pay off the debt, because he didn't want to accept an option from Nationwide that would've involved any notes at all being added to his credit file. But, as I've explained, when someone doesn't pay back a debt in line with the original agreement (and with an overdraft, that means straight away) it's usual for a bank to record that on someone's credit file. So I don't think Nationwide did anything wrong when it said that if Mr P made an arrangement with it, this would be noted on his file.

Mr P preferred to leave his credit file showing an unauthorised overdraft. He said showing being in an arrangement would be worse for his credit file. That's not what I would expect.

I think it's important to note that at this point in the phone call, Nationwide suggested that Mr P take some advice what an arrangement really means, and what the impact of that would be on his credit file. And Nationwide also said that if the debt would take Mr P more than a month to repay, he would need to talk to Nationwide again after a month.

Mr P was making small payments towards the debt. Part of those payments was being eaten up by interest and charges on the overdraft. At the rate of £10 per month, it would've taken Mr P several years to repay this debt. And Mr P didn't contact Nationwide again.

I can see that Nationwide made a number of attempts to contact Mr P before it defaulted the account. The letters I can see recognise that Mr P is making small payments, but also make clear that he needed to pay off the whole balance before a set deadline, to avoid a default.

Mr P didn't pay off the whole balance before the deadline, or contact Nationwide again about the debt before it was defaulted. So Nationwide moved to default the debt.

I've explained that the terms of Mr P's account meant that he was supposed to pay all of this money back as soon as the overdraft was removed. He didn't do that, and he didn't enter into any arrangement to pay the money back. And he didn't respond to Nationwide's attempts to contact him. It's not unfair or unreasonable for Nationwide to default his account

in those circumstances. So I don't think Nationwide has to remove the default from Mr P's credit file now.

I know Mr P will be disappointed, but I don't think this complaint should be upheld.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 28 September 2020.

Esther Absalom-Gough  
**Ombudsman**