

The complaint

Mr B complains that National Westminster Bank Plc (NatWest) shouldn't have applied a default against him.

What happened

Mr B had an account with NatWest since 2011. He was in financial difficulty. He entered into an Individual Voluntary Agreement (IVA) in February 2014. In April 2016, NatWest applied a default to his credit file for a debt of £299.

Mr B complained. NatWest was a creditor in the IVA. The account had been run down to a zero balance in 2014. The debt was due to charges and interest mounting up. He had asked for the account to be closed in 2014, but this hadn't happened. If they'd closed the account, the debt wouldn't have arisen. So, the default shouldn't have been applied. He had tried to get this removed over a long time without any success. He had suffered a lot of stress and anxiety as a result – and couldn't get any credit.

NatWest said the debt had been written off in 2016 – but this was as a gesture of goodwill. So, there was a debt in default, and this had to be advised to the credit reference agencies (CRAs) – they had an obligation to do this. They had no record of Mr B contacting them in 2014 to ask that the account was closed. So – they rejected Mr B's complaint.

Mr B brought his complaint to us. Our investigator looked into what had happened. She could see that by November 2013, the balance on Mr B's account was £0.62. So – it was likely that he wanted it to be closed. In March 2014, a charge of £15 was made – and this led to an unauthorised overdraft, and then further interest and charges. So, by October 2016, the balance was £299 debit. But as this was made up of charges and interest, it didn't represent Mr B's payment history and the balance shouldn't have been registered as a default. There was another default with another lender on Mr B's credit file – so she couldn't be certain it was NatWest's default that had stopped Mr B from getting credit. She agreed with NatWest for the default to be removed and for a compensation payment of £200.

Mr B disagreed. He accepted the removal of the default – but said that the stress caused by NatWest warranted a higher payment than £200.

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 see where Mr B is coming from. He went through an IVA in 2014 – and thought that everything was then dealt with and behind him. He says he asked NatWest to close his account then. The balance was only a few pennies. But then charges and interest ran up a debt of £299. And NatWest then registered this as a default on his credit file – in 2016. So – his life was badly affected by this and he couldn't get any credit. He told us his marriage was affected and ended in divorce.

My role here is to ensure the right outcome is arrived at – considering what we’ve heard from both Mr B and NatWest.

I’ve seen that in March 2014, the balance on Mr B’s account was only £0.62. But in 2013 and before that, there was some borrowing. So – what then happened was that charges and interest were debited to the account. Monthly charges then compounded - and by November 2016, the balance was £299 debit. NatWest wrote this off as irrecoverable – but the money was owed by Mr B, so they registered a default. I’ve seen they wrote to him six times in 2015 and sent him a letter of demand – so he should’ve been aware of what was happening. Mr B says he asked that his account be closed in 2014 – but NatWest say they have no record of that. And we’ve not seen anything in NatWest’s records to show he contacted them during that time. We can see that Mr B contacted NatWest in 2016 – after the default was registered.

But – after discussion with our investigator, NatWest agreed that it was more likely than not that Mr B did intend that the account was closed in 2014. So – NatWest agreed to remove the default from Mr B’s credit file – as if the debt didn’t occur. That is a fair outcome I think.

NatWest also agreed to pay compensation of £200. Mr B doesn’t consider this to be enough – for the stress caused him over the years. But equally, like our investigator, I can see there was another default from another lender on his credit file – registered in July 2015. It is for prospective lenders to make their own judgments about how they view what’s on a credit file – but it’s equally likely that Mr B was declined for credit as much by this other default as NatWest’s – but we just don’t know for certain.

The subject of how much compensation is appropriate is a subjective one. In this case, we must balance the effect that this has had on him – with the uncertainty of what Mr B asked of NatWest in 2014. And – NatWest have agreed to remove the default, which means that Mr B’s credit file will be ‘clean’ after six years - by July 2021 – which I think is his main priority.

Looking at what’s happened here, I have to say that the offer of compensation of £200 is about the right amount that this service would expect to see for what happened. I can appreciate that Mr B won’t agree with this and will be disappointed. But my decision is that NatWest don’t need to do anymore here.

If Mr B wishes to accept NatWest’s offer of compensation of £200, he should get in touch with them to arrange for it to be paid to him.

(continued)

My final decision

I do not uphold this complaint.

If Mr B wishes to accept the offer of £200 from National Westminster Bank Plc, he should get in touch with them to arrange payment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 May 2021.

Martin Lord
Ombudsman