

The complaint

Miss M complained that National Westminster bank had placed markers on her credit file, relating to a small debt she didn't know about, which were having a significant impact on her ability to borrow. She told us about the wider impact this had on her life.

What happened

Miss M said markers on her credit file were causing her problems. She said these related to a small debt that NatWest didn't tell her about, which resulted in a default on her name. She told us how this was impacting her. She said the debt related to a student loan overdraft that she thought she had paid off.

Miss M said NatWest didn't do all it could have done to alert her to the debt. And once she found out about it, she took immediate steps to pay it back. But she said this has been affecting her credit file for years, and a default on her file will now affect her for years to come. She said she'd also devoted a lot of time to resolving this, and NatWest had been very unhelpful.

Miss M wanted the default removed, or at least moved to an earlier date that reflects the actual time of the debt. And she wanted us to consider asking NatWest to pay compensation of over £50 for the stress and impact this has caused her financially and personally.

NatWest said Miss M previously had a current account with an overdraft. To keep an overdraft, NatWest said it does require regular payments into the account. The last credit into Miss M's account was in August 2016. NatWest said Miss M told it she thought the overdraft had been cleared off when she stopped using it but NatWest said it wasn't sure how she could have come to this conclusion.

NatWest said in October 2017, the account was passed to the collections department, when Miss M owed about £550. NatWest had tried to contact Miss M by post and phone, but with no success. So it sent a default notice on 29 March 2017, it wrote to Miss M again on 16 April 2017 (after calling her the same day without success) to remind her about the default notice, and then started the whole process again of asking her via letter and telephone to contact it.

But NatWest said Miss M still didn't get in touch. So NatWest issued another default notice on 20 December 2017, followed by a formal demand notice on 22 January 2018. It then transferred the matter to the recoveries department on 15 February 2018 and a default was correctly registered on Miss M's credit file.

NatWest said it was Miss M's responsibility to make sure her address and phone number were up to date. If she didn't get its letters, that wasn't NatWest's fault. She started to make payments to the debt when NatWest's debt collection agents traced her, in April 2019.

NatWest then refunded £388.13 of interest and charges that built up in the years before the account was closed, as a gesture of goodwill. The debt was paid off in early 2020. Miss M's

debt now shows as fully satisfied, but the default remains on her credit file, dated at February 2018.

NatWest had paid Miss M £50, because it hadn't always been helpful when she got in touch to try to pay this debt off.

NatWest thought it had done enough to put things right.

Our investigator thought this complaint should be upheld in part. He said it was fair for NatWest to default Miss M's account, after she'd stopped paying towards the debt. He didn't think that Miss M could just assume the debt was cleared, based on the length of time she'd been paying. And he said it was Miss M's responsibility to keep her contact details up to date. NatWest had tried to contact her when she stopped paying, and our investigator thought NatWest had taken reasonable steps to tell Miss M about the possible default.

But our investigator thought NatWest had waited too long to default Miss M's debt. The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. And the ICO would expect a default to be registered by the time the consumer is six months behind with their payments.

Miss M's payments stopped in September 2016, but a default wasn't applied until January 2018, which is sixteen months later. Our investigator said NatWest should've applied a default by March 2017. Our investigator noted that NatWest sent a default notice around this time, and he thought NatWest should have then applied the default, instead of allowing the account to accumulate further charges.

Our investigator said he didn't know why Miss M still had "missed payment" markers on her credit file from NatWest. It has since become apparent that these relate to a separate credit card debt. NatWest is looking into this, and if Miss M does wish to refer that issue to us in future, then our service will look at that issue separately.

Our investigator didn't think NatWest needed to remove the default entirely, or compensate Miss M because she'd been unable to get other credit. But he said it did need to move the default date to March 2017; and if it hadn't reported Miss M's account as fully satisfied to all credit reference agencies it should do so.

Miss M didn't agree. She felt that our investigator's view suggested NatWest hadn't done anything wrong. She wanted to stress how unhelpful NatWest had been when she was trying to deal with this debt. She also wanted to let us know the impact that this default was having.

NatWest also disagreed. It said it hadn't defaulted Miss M's account in March 2017 because a payment was made to the account in April 2017. That's why NatWest had then restarted the process, instead of going ahead with a default.

Our investigator said some of the impact on Miss M's credit file may be because of the newly uncovered problem with her credit card. Miss M still thought that the default for her current account should be removed from her credit file. But our investigator didn't think that the customer service problems Miss M had experienced were enough for him to say that the default should be removed. He noted that NatWest had made a sizeable refund of interest and charges on the overdraft.

Our investigator wrote to NatWest and said he thought the payment onto Miss M's account in April 2017 was just an automated credit. Miss M hadn't done anything to the account, or contacted NatWest. So our investigator still thought it would be fair to move the default back.

NatWest reviewed its decision, and said it would do as our investigator suggested. It has written to us to say that the default has been backdated, and the debt noted as satisfied with all credit reference agencies. But Miss M still hadn't agreed that this resolved her complaint. She wanted the default to be removed, and as no agreement on this had been reached, the case was passed to me for a final decision.

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 on this complaint as our investigator.

Miss M has accepted that she'd stopped paying towards her current account debt before the overdraft was paid off. She told us that she had text alerts set up, and she expected these to warn her if anything had gone wrong. But NatWest has shown us that the text alerts wouldn't warn Miss M of an upcoming default.

I think that NatWest did then make reasonable efforts to contact Miss M, and I don't think it's NatWest's fault that these efforts weren't successful.

As Miss M was still being charged for borrowing, and she'd stopped paying towards this debt, the amount she owed was increasing month on month. I don't think that it was wrong for NatWest to default Miss M's current account debt.

Because I don't think that NatWest was wrong to put this default on Miss M's credit file, I don't think it has to pay Miss M compensation for any impact this default has had on her ability to borrow.

But I agree with our investigator that NatWest should have acted sooner than it did. I can see from Miss M's statements that she last paid money into this account in August 2016. So I also think that this debt should have been defaulted by March 2017. I don't think that an automated refund of fees ought to have delayed this default. I am glad to see that NatWest has accepted this, and has now confirmed it has already amended the default date. This will now come off Miss M's credit file much earlier. And she may also find that an older default has much less of an impact on her credit rating in the meantime.

I understand Miss M found NatWest unhelpful when she tried to get information about this debt. I make no comment here on any confusion with her other, credit card, debt. That's not what Miss M complained about here, and NatWest hasn't yet had a chance to look at this. So I leave that for any possible future complaint that Miss M may choose to make about this.

I note that NatWest has accepted it provided Miss M with some poor service, because at least some of its advice about the current account was conflicting. It's paid £50 in compensation for that. But NatWest has also made a sizeable refund of almost £400 onto Miss M's debt, which refunds her for several years of interest and charges on the account. And it has marked the debt as fully satisfied as a result of this refund, when a debt which is cleared by a refund might usually be marked as partly satisfied (because Miss M herself didn't pay all the money that was owed, some of it was covered by the refund).

I don't think that NatWest had to do either of those things, and because it has done so, I won't ask NatWest to pay Miss M additional compensation for the difficulties she experienced in getting information and advice about her current account debt.

I know Miss M will be disappointed, but I think NatWest has already done enough to provide a fair and reasonable outcome to her complaint about her current account debt. And because of that, 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 Miss M to accept or reject my decision before 29 December 2021.

Esther Absalom-Gough
Ombudsman