

## **The complaint**

Miss K complains about National Westminster Bank Plc (“NWB”) and their decision to close her account after they determined it to be in persistent debt.

## **What happened**

Miss K held a credit card account with NWB. In August 2019, Miss K received a letter from NWB explaining over the previous six months, she’d only paid the minimum or close to the minimum payment on her account. Because of this, they invited Miss K to increase her minimum payments.

Miss K called NWB where she states she was told she didn’t need to increase her minimum payments. But Miss K decided to do this anyway, increasing her direct debit to £100 each month. And she continued to use her credit card account.

In March 2020, Miss K received another letter from NWB. This asked Miss K to contact them to discuss ways in which to repay her account balance as she’d remained in persistent debt. And it gave two options available to Miss K. Either, repay the balance within six months and keep the credit card open or repay the balance over a longer term and the card would be closed.

Miss K called NWB and explained she was unable to repay the balance within six months. So, a repayment plan of £100.68 per month over a 48-month term was agreed. But Miss W was unhappy with this, so she raised a complaint.

Miss K didn’t think NWB had made it reasonably clear to her that the £100 she’d voluntarily paid per month wasn’t enough to prevent her account being closed. When Miss K called NWB in August 2019, she said she was told she didn’t need to increase her monthly repayment so she thought she’d been advised incorrectly. And she thought if she’d been given the correct information, she could’ve made increased payments that would’ve allowed her to keep the account open. So, she wanted to be compensated for the upset and inconvenience this had caused her.

NWB responded and upheld Miss K’s complaint. They thought they had acted fairly when deciding Miss K’s account was in persistent debt and they thought they’d followed the rules introduced by the Financial Conduct Authority (FCA) surrounding this. They explained their actions were aimed to help Miss K’s financial situation, ensuring she didn’t pay further interest and charges. But they were unable to find a call recording of the conversation between Miss K and themselves in August 2019. So, they didn’t dispute that Miss K had been given incorrect information and offered £50 to recognise this. Miss K was unhappy about this, so she referred her complaint to us.

During this time, the repayment plan and the card closure Miss K agreed was delayed due to COVID-19 and in July another repayment plan for £100.59 was put into place for a period of 39 months. The first payment for this repayment plan was taken in October 2020, when Miss K’s account was closed.

Our investigator looked into the complaint and didn't uphold it. They thought NWB had followed the correct process for accounts deemed to be in persistent debt. So, they didn't think NWB had done anything wrong by closing Miss K's account when she made them aware she was unable to clear the outstanding balance within six months. And they didn't dispute Miss K had been given incorrect information when calling NWB, as NWB hadn't disputed this. But they thought the £50 NWB had already offered was a fair one, so didn't think NWB needed to do anything more.

Miss K didn't agree and she provided photos of the letters she received from NWB which she didn't think provided the information our investigator stated was included within them. So, she maintained her view that NWB had acted unfairly. Our investigator responded to these photo's and explained her view remained unchanged as she thought the letters shown within the photo's made it clear to Miss K she was in persistent debt. Miss K remained unhappy, so her complaint has been passed to me for a 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.

Having done so, I'm not upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Miss K. I've no doubt Miss K thought she was managing her account well as she was making her minimum payment on the account each month. And when she received a letter from NWB, she voluntarily increased her direct debit to pay more than her minimum payment. So, when she received a letter from NWB explaining she had to either clear her balance within six months or close her account with a repayment plan, I can understand why she'd be left worried and confused. Even more so because this wasn't made clear to her in the call between her and NWB in August 2019. So, I can appreciate why she thinks NWB have acted unfairly.

But for me to say NWB have acted unfairly and crucially, do something more than they already have, I'd need to be satisfied they failed to follow the persistent debt guidance set out by the FCA. And if I think they did, I also need to be satisfied that, on the balance of probability, Miss K was likely to have done something different which would've prevented her from needing to choose one of the two options put to her. And in this situation, I don't think that's the case.

Before I explain why I've reached my decision, I want to be clear on exactly what I've considered. I'm aware Miss K had another complaint about NWB which has been investigated separately by our service. This decision focuses solely on NWB's decision to class Miss K's account as in persistent debt, the options Miss K had available to her because of this, and the information they provided her about this as they followed the persistent debt process.

I've seen the letters Miss K received in August 2019 and March 2020 about her account. And I've compared these against the template letters NWB say they sent to Miss K. Having done so, I think there appears to be some differences between the letters NWB believe they sent, and the ones Miss K received. So, I can understand why Miss K has rejected our investigators initial view and queried some of the information that was included.

But even though it appears the letters Miss K received aren't the exact templates NWB now

use, I don't think this necessarily means they've acted unfairly. In the letter Miss K received in August, I think it makes it reasonably clear to Miss K that she needed to increase her minimum monthly repayment if she could afford to do so as the way she was managing her account was causing her to take longer to repay the account balance.

I think Miss K was able to ascertain this from the letter, as she voluntarily increased her direct debit amount the same month. I think this letter also made it reasonably clear the need for an increased payment was to help Miss K in clearing the outstanding balance. But I've seen Miss K continued to use the account and her outstanding balance had actually increased by December 2019. So, I think it should've been clear to Miss K that her increased direct debit payment hadn't increased enough to begin clearing her balance.

As Miss K's account hadn't began to clear, NWB wrote to Miss K in March 2020 explaining she needed to contact them to discuss repayment options to help her clear the outstanding balance, which they classified as persistent debt. And they gave Miss K 60 days to do so, which falls in line with the guidance provided by the FCA. This letter provided Miss K with two options, either to repay the balance within six months or agree a repayment plan but the caveat to this was the closure of the account. And I've seen Miss K called NWB and a repayment plan was agreed for just over £100, as Miss K wasn't able to clear the outstanding balance. These options, and the way Miss K was given advance notice of these, again falls in line with the FCA guidance and what I'd expect to see. So, I don't think I'm able to say NWB acted unfairly when deciding Miss K's account was in persistent debt. And I recognise it was Miss K's decision to choose the repayment plan as a way to pay this debt off.

But I recognise Miss K's main concern relates to the information she was given in the call she held with NWB in August 2019. NWB haven't been able to locate this call but have accepted Miss K's version of events and offered her £50 to recognise the misinformation she was provided. As NWB accepted this, I don't intend to dispute the fact they made an error or discuss the error itself any further.

But I have thought about the impact this error had and whether the £50 NWB have offered is fair. Miss K doesn't think it is as she believes, if the advisor had made her aware on the call of the specific increase needed on her direct debit to avoid further persistent debt action, she'd have paid this. And so, she wouldn't have been left in a situation where she was on a repayment plan without the ability to use her account.

But I've thought about what I think is most likely to have happened if NWB had given the correct information on the call. And having done so, I don't think Miss K would've found herself in a different situation. This is because I've seen no evidence to suggest to me that Miss K would've been able to increase her direct debit so significantly that it began to clear her outstanding balance, as well as pay for any further purchases made on the card. Miss K was given the opportunity to clear the outstanding balance over six months and she couldn't afford to do so. And when a repayment plan was discussed, Miss K agreed to repay the outstanding balance over 48 months with a monthly repayment of just over £100.

So, based on this information, I think it's reasonable for me to assume that Miss K would've been unable to afford to increase her direct by much more than the £100 she did increase it to voluntarily. And because of this, I think it's likely her account would've remained in persistent debt and she'd have found herself in the same situation. So, considering this, I think the £50 NWB had offered is fair one and in line with what I would've directed had it not already been made as I think it addresses the actual mis-information provided but also takes into consideration Miss K's account wasn't materially impacted. And because of this, I don't think NWB need to do anything more on this occasion.

I understand this isn't the outcome Miss K was hoping for. And I recognise it's unlikely to change her opinion that she's been unfairly treated. But I want to re-emphasise to Miss K that NWB's decision to close her account and agree a repayment plan was to act in her best interests to prevent her from continuing to make significant payments on interest towards a balance she'd shown over a period of time she was unable to repay. While I recognise Miss K may see the removal of her ability to use the account as a punishment, I think NWB have taken action to try and help improve Miss K's financial situation by helping her repay her outstanding debt.

### **My final decision**

For the reasons outlined above, I don't uphold Miss K's complaint about National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 23 February 2022.

Josh Haskey  
**Ombudsman**