

The complaint

Mr M complains that National Westminster Bank Plc (NatWest) marked his credit file with missed payments for his personal loan and transferred his current account debt and personal loan to a debt collection agency (DCA).

What happened

Mr M had a current account and personal loan with NatWest. The balances in January 2020 were £1,300 and £8,614 respectively. The repayments to the loan were £250.17 per month. NatWest took the decision to close Mr M's accounts and they wrote to him to say so on 11 February 2020. Payments continued to be made to the personal loan. In January 2021, both accounts were passed to a debt collection agency (DCA). The balance as at May 2021 was £3,757 debit.

Mr M complained that he'd been treated unfairly. In his complaint to us, he accepted the closure of his account and didn't want to complain about that. But he said the personal loan was paid up to date and shouldn't have been passed to the DCA. The missed payment entries notified to credit reference agencies (CRAs) in February 2020, March 2020 and May 2020 were wrong as these payments had been made. He said he received conflicting information from NatWest about the personal loan payments – as they'd told him they were up to date. The amount of the current account debt notified to the credit reference agencies was too high. He wanted to nominate his mother to act for him but NatWest wouldn't allow that.

In July 2020, NatWest said the current account debt was £990, and asked that Mr M repay the balance of '£900'. They told him then that payments to the loan were up to date. In August 2020, NatWest sent a further final response which said that the direct debits and standing orders should've been cancelled by them when they gave notice of the account closure, but due to an error, this didn't happen. The balance was then £1,005 debit but they agreed to refund charges of £61.65 to reduce the balance by that amount. They again confirmed the loan payments were up to date.

Mr M brought his complaint to us. Our investigator agreed with NatWest that the missed payment markers for February 2020, March 2020 and May 2020 would be removed. He said it was NatWest's policy to transfer all debts to the DCA where one of them was in default. He could see that NatWest had agreed to refund the charges on the current account. The default in relation to the current account should remain in place as that was fair.

NatWest agreed to add Mr M's mother to the account and our investigator outlined what needed to be done to do this.

Mr M remained unhappy. The debt showing with the DCA was still over £1,000 and his credit file still showed missed payments on the loan account. Given the misleading communications from NatWest over a long period, and for the stress and inconvenience suffered, he felt he should receive some compensation. He asked that an ombudsman look at his complaint.

I reached a provisional decision where I said:

Mr M's complaint has been with our service since October 2020 and since that time, we've been getting information with NatWest and discussing matters with them – and there has also been a change of investigator – so I'm sorry it has taken a long time to get to this provisional decision.

NatWest advised Mr M in February 2020 that they wished to close his accounts. They could do this within their terms and conditions – and Mr M doesn't dispute NatWest's actions, so I won't comment on that any further.

But what happened after that is what Mr M complains about.

Current Account debt: The balance was £878.57 debit on 10 February 2020 – just before NatWest wrote to Mr M on 11 February 2020 to advise him of the closure. There were some further debit items paid over the next two days, plus charges of £84.45 – taking the balance to £1,005.72 debit. In their letter in August 2020, NatWest agreed to refund charges of £61.65 – but I can see that this wasn't done when we raised it again with them in August 2021. So – the wrong amount of debit balance was advised to the DCA. NatWest told us in August 2021 that the balance at the DCA would be adjusted. I can also see that NatWest's first final response in July 2020 quoted a balance of £990 but asked Mr M to repay £900 – this was an error on their part and I can see this must have been confusing to Mr M. So – NatWest should have been clearer in their letter and didn't refund the charges when they agreed to do so. They should now do so and advise the correct debt to the DCA and to Mr M's credit file.

I cannot see that NatWest were wrong to transfer the current account debt to the DCA – Mr M owed the money and was in default. Also – it follows that his credit file should be marked with the default. All banks, including NatWest, have an obligation to report information to CRAs - which they did in this case.

Personal Loan: Mr M has maintained all along that payments were up to date – and therefore the entries on his credit file were wrong. I can see from the personal loan statements that he missed payments in October 2018, November 2018, September 2018, and January 2020. And so – as accurate information must be advised to CRAs, these missed payment markers should remain on his credit file.

But NatWest also added missed payment markers for the months of February 2020, March 2020, and May 2020. I can see from the loan statements that these payments were made (by his parents) – and so I agree that these markers should be removed. NatWest initially agreed with us to remove them (in January 2021) – but then, later, argued that they should stay in place because of the missed payments back in 2018 – but I don't agree with that, as Mr M's credit file should reflect the correct information – and simply put, he didn't fail to make the payments in question in 2020.

I can then see that NatWest continued to advise Mr M that the loan was in arrears. In June 2020, they advised him there were arrears of £195.34. I think the arrears quoted then were because of the 'overhang' of the missed payments in 2018, but these were in part made up by the fact that Mr M's parents paid more than needed – I can see that they paid £341.30 per month from March 2020 through until May 2021 (the last record I've seen).

But also – NatWest said to Mr M in their letters in July 2020 and August 2020 – that payments were up to date. In July 2020 NatWest said “*I can also confirm that the loan payments you are making are satisfactory and you are adhering to the agreement*” and in August 2020 they said “*I can confirm that we have been receiving your loan payments on time...*”. I can see how this must have been confusing for Mr M as he was then later advised - in May 2021 – that there were arrears.

And the letter dated 17 May 2021 said the arrears as at 1 December 2020 were £5,857 which reduced to £3,757 in May 2021. From what I've seen – this cannot have been correct as there were only four payments of £250.17 missed in 2018 through to January 2020. And NatWest had earlier told him the arrears were £195 in June 2020 – and over-payments had been maintained since then. I accept that this may have been due to poor formatting of the letter – but it must have been very confusing for Mr M to get it.

From the loan account statement I've seen – and the fact that I've seen evidence that monthly payments of £350 per month (as against the contractual payment of £250.17) have been made up to May 2021 – the payments must now be up to date and should have made up for the arrears of £195 reported in June 2020. So, I've considered whether the loan debt can be brought back from the DCA. NatWest say their process is that both accounts should remain at the DCA as one of them is in default (the overdraft). I don't agree – following a process doesn't always produce a fair outcome for customers, and I don't think it does here - so NatWest should bring the loan back from the DCA – and Mr M should continue to make the payments as he has been doing.

Lastly, Mr M wants his mother to have an authority to operate and discuss his account. NatWest have agreed to do this and the mechanics of doing that were set out in our investigator's view in November 2021 – so Mr M should follow those if he still wishes that to happen.

This has been a long-running complaint which NatWest could've handled better. They didn't refund the charges on Mr M's current account which they'd agreed to do, and they didn't advise the corrected lower balance to the CRAs. They wrongly marked Mr M's credit file with three missed payments in 2020 – when they weren't missed. They agreed with us they'd remove the markers, but then - in August 2021 – changed their mind and said they'd remain in place. So – the markers are still shown on Mr M's credit file. And – there were several pieces of misleading communications.

And so – I think NatWest should refund the current account charges (as they'd agreed to do) and advise the correct balance to the CRAs. And – remove the missed payment markers from Mr M's credit file for February 2020, March 2020, and May 2020. They should take back the loan account from the DCA – unless they can show that there are now arrears on the account.

I can appreciate that Mr M has been unreasonably treated by NatWest here and I consider some compensation is due for this. We say an award of up to £300 might be suitable where there have been repeated small errors, or a larger single mistake, requiring a reasonable effort to sort out. Typically, the business's actions could have resulted in some acute stress lasting hours – or a have had a milder impact across a few days, or even weeks. I think what happened here meets these criteria and I think NatWest should pay £300 for distress and inconvenience. I also said that NatWest should:

Refund charges of £61.65 to the current account; Advise the correct current account balance to the DCA and CRAs; Remove the late payment markers for the loan account for February 2020, March 2020, and May 2020; Take back management of the loan account from the DCA; Pay compensation of £300 for distress and inconvenience.

Responses to the provisional decision:

Mr M said:

- Compensation of £500 was more appropriate for the hassle NatWest had caused him.
- NatWest still hadn't amended his credit file.

NatWest agreed with the provisional decision, but also said:

- Their process is that both debts are transferred to a debt collection agency and they cannot be split.
- They said that Mr M's personal loan is in arrears by £338 i.e. one payment.

I now need to make 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 considered what Mr M has said. I carefully considered what the right amount of compensation would be and set that out on the provisional decision. I've thought about that again and I still think it is right.

On the matter of amending Mr M's credit file - this final decision, if accepted by Mr M is binding on NatWest to do that.

I've considered what NatWest have told us about the up to date position on Mr M's loan. They told us the balance is now down to £607.53 (as at 11 February 2022). But there is one month's arrears of £338 within that. I did say that I would consider whether the loan debt should be brought back to NatWest from the debt collection agency. NatWest argue that as it is still in arrears, it should stay with the DCA alongside the current account - and that is their process. I think that's a sound argument for leaving the debt with the DCA – especially as the balance will be repaid after two more payments anyway. And so – I am dropping that remedy from the final decision.

Putting things right

But – other than the change as described, I am going to ask NatWest to do the things I set out in the provisional decision.

(Continued)

My final decision

I uphold this complaint. National Westminster Bank Plc must:

- Refund charges of £61.65 to the current account.
- Advise the correct current account balance to the DCA and CRAs.

- Remove the late payment markers for the loan account for February 2020, March 2020, and May 2020.
- Pay compensation of £300 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 March 2022.

Martin Lord
Ombudsman