

## **The complaint**

Mr K complains that National Westminster Bank Plc (NatWest) closed and defaulted his loan without reasonable notice.

## **What happened**

Mr K successfully applied for a loan in August 2020. The first payment was made in November 2020 but no payments were received in the next two months.

NatWest sent Mr K emails, text messages and letters to advise his loan was in arrears and current account was overdrawn.

Mr K made the loan payments due in February, March, April and May 2021 but it remained in arrears as the previously missed payments hadn't been made up.

During the period above, NatWest sent Mr K various letters and notices asking him to get in touch and address the arrears on his loan.

On 22 May 2021 NatWest sent Mr K a final demand that said a payment of £1,981.55 was required by 30 May 2021 to stop the account closing.

Mr K called NatWest at the beginning of June 2021 and explained he was on holiday when the final demand had been delivered. The account was sold to a third party.

Mr K complained but NatWest didn't agree it had acted unfairly by closing his loan and recording a default on his credit file. But NatWest apologised if Mr K was given some misleading information in branch and reduced the outstanding loan balance by £150.65 and sent him a cheque for £75.

Mr K referred his complaint to this service and it was passed to an investigator. Mr K has told us he didn't receive any of the emails, text messages or letters NatWest sent him about the arrears on his loan or its intention close it and report a default. During the investigation, NatWest let the investigator know it wanted to offer Mr K a further £100 to try and resolve his complaint. The investigator thought NatWest had dealt with Mr K's complaint fairly and didn't ask it to increase its offer or remove the default from his credit file. Mr K asked to appeal, so his complaint has been passed to me to make 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.

Businesses can take the decision to close an account and record a default on the borrowers credit file following a sustained period of arrears. Industry guidance indicates a business can take that step after three to six months of arrears. In this case, Mr K made the first payment due under his loan agreement in November 2020. But the following two payments were missed and not made up. The decision to close the account and record a default took effect

in May 2021. Given the length of time the arrears remained outstanding, I think it was reasonable for NatWest to close the loan.

Mr K has told us he didn't receive the emails, text messages and letters NatWest sent him about the arrears on his loan. But NatWest has sent in systems evidence to show the correspondence it issued to Mr K. Where the parties involved dispute the circumstances of a complaint I'll base my decision on the balance of probabilities. That is, what I consider most likely to have happened based on all the available information and evidence.

Whilst NatWest didn't keep direct copies of all the correspondence it sent Mr K, it did record each email, text message and letter that was sent. NatWest has also provided templates of the communications it sent Mr K. I also think it's fair to note that it's NatWest's standard approach to contact borrowers about arrears to try and reach an agreement to repay them. On balance, I'm satisfied NatWest contacted Mr K about the arrears on his loan and its intention to close it as claimed and that its text messages, emails and letters were most likely received.

Mr K has told us he feels the eight day notice period given in NatWest's final demand was too short. But, as noted above, that was the final response date NatWest provided after several months of attempts to engage with Mr K about the arrears. I understand Mr K was away when NatWest's final demand was received but I haven't been persuaded those are grounds to tell NatWest to remove the default from his credit file.

NatWest refunded £150.65 of interest and sent Mr K a cheque for £75 to apologise for misleading information its branch staff may've provided. NatWest recently offered to increase the settlement by a further £100. As I haven't found evidence that NatWest acted unfairly in the way it closed Mr K's loan, I'm satisfied the existing settlement is a fair way to resolve his complaint.

### **My final decision**

My decision is that I uphold this complaint and direct National Westminster Bank Plc to pay Mr K a total of £175 (less any compensation already paid) in addition to the refund of £150.65 already applied.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 2 June 2022.

Marco Manente  
**Ombudsman**