

The complaint

Miss O complains that National Westminster Bank (NatWest) made errors with her COVID-19 payment holidays.

What happened

Miss O had a personal loan from NatWest. On 1 March 2020, the balance was £3,563.00. Repayments were £179.42 a month. In March 2020 and then in November 2020, Miss O applied online for two payment holidays from NatWest under the scheme to support customers affected by the COVID-19 pandemic – each for three months. But her credit file was marked with missed payments for the months of March 2020, April 2020, May 2020 and for November 2020, December 2020, and January 2021.

In December 2020, a call took place with NatWest and a payment plan for £247 per month was discussed – being the contractual payment plus some arrears. No written confirmation was sent. Payments of £180.70 were made in February 2021 and March 2021. In April 2021, Miss O received and signed an agreement to sign to reschedule her loan payments to £183.14 – to make up for the missed payments during the payment holidays. A payment of £183.14 was then made in April 2021.

Miss O complained. The first two payment holidays hadn't been set up properly and so her credit file had been marked – this was an error. And then – when she spoke to NatWest at the end of December 2020, she was asked to repay the arrears, even though she had been on a payment holiday and there weren't any arrears due. As a result, her credit file had again been marked with a missed payment for March/April 2021 – she said this must be another mistake. During our investigation, she told us that she had been told by NatWest that she is still in arrears by £211 – in October 2021. She said NatWest had been dismissive of her situation and told she should find a job. She had to call NatWest many times to try to sort things out. Because of NatWest's errors, she said she suffered a lot of distress and mental anxiety.

NatWest apologised. They said Miss O's payment holidays hadn't been set up properly. They agreed to remove the markers from her credit file for the months between March 2020 and May 2020 and from November 2020 to January 2021. They refunded interest arrears of £58.99 to the loan account, refunded an unpaid transaction fee of £2.75 and paid compensation of £100.

Miss O brought her complaint to us. Our adjudicator said that NatWest had apologised for their error in not setting up the first two payment holidays. They'd put that right, amended Miss O's credit file, adjusted the loan account interest, and paid compensation of £100. NatWest also told us they'd paid two more amounts of compensation, each of £50.

Turning to the arrangements set up at the end of December 2020, our adjudicator said the payments of £247 hadn't been made, but the contractual payments had been re-established – so there had been little impact.

Miss O didn't agree. She said NatWest were still sending her arrears letters up to October 2021, and her credit file was still being marked up until March 2022.

I then reached a provisional decision where I said:

In March 2020, The Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including NatWest, had to put in place 'payment holidays' on many credit agreements, including personal loans – to help customers who were affected. Customers could ask for a total of two payment holidays', each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

In September 2020, the FCA announced that the support scheme would change from the end of October 2020. From then, firms could continue to support customers in difficulty – but it was down to their discretion and customers' circumstances. And – reporting to credit reference agencies was reintroduced for people that had already had the maximum six months of payment deferrals.

There are two parts to Miss O's complaint:

- NatWest didn't set up her two payment holidays properly and as a result her credit file was marked with missed payments for six months.
- When she called NatWest in December 2020, they asked her to pay off arrears over a period at a rate of £67 per month – in addition to the contractual payments that would be starting again. She couldn't afford that, and it wasn't part of the payment holiday scheme that she would have to do that either. And then – her credit file was marked with missed payments.

Payment Holidays: March 2020 – May 2020 and November 2020 – January 2021:

I can see that Miss O asked for her two payment holidays to run from March 2020 to May 2020 and then from November 2020 to January 2021. NatWest didn't set these up as they should have – they were set up as 'payment arrangements' whereby payments were missed but the credit reference agencies were notified – and so it affected Miss O's credit file. I can see that this came to light when she spoke to NatWest in January 2021. In their final response, NatWest apologised, agreed to delete the markers from Miss O's credit file, and paid compensation of £100. They also adjusted the interest by £58.99 and refunded a non-payment fee of £2.75. During our investigation, it also came to light that NatWest had paid two more amounts of £50 by way of compensation – on 12 March 2021. One amount was credited to her current account, and another amount was credit to Miss O's loan account. So – NatWest put things right and paid total compensation of £200 for the errors they'd made. And so – I consider that on the first part of Miss O's complaint, NatWest dealt with that fairly and reasonably.

What happened from February 2021:

Turning to the second part of Miss O's complaint. There were clearly some mistakes made by NatWest at the end of Miss O's second payment holiday – which finished in January 2021. In the call on 29 December 2020, NatWest asked her to set up a payment plan to repay the 'arrears. I've listened to the call – it is a confused conversation, but there

appears to be an agreement for Miss O to start payments of £247 per month (being the contractual amount of £180 plus 'arrears' of £67). But – this wasn't part of the payment holiday scheme: there was no obligation for customers repay the 'arrears' in respect of the missed payments under it (although they could make up the payments voluntarily - if they wished to do so). And – NatWest couldn't show us any correspondence or confirmation of any agreement made in the call in December 2021.

NatWest also told us that the direct debit for the February 2021 payment wasn't reinstated after the end of the payment holiday – due to an error. And so, Miss O made the payment manually. I can then see that the payments for March 2021 and April 2021 were made. So – it's not at all clear why NatWest were saying to Miss O there were any arrears.

NatWest then sent to Miss O – on 28 April 2021 – a rescheduling agreement to bring her payments back on track after the payment holidays – increasing payments to £183.14. Miss O signed this and payments were made from then on. We asked NatWest why this letter was sent so long after the end of the payment holiday – almost three months later – but they couldn't tell us. The delay must have caused confusion for Miss O.

NatWest told us that Miss O's credit file wasn't affected. But Miss O has shown us that it has been marked with 'payment arrangement' and 'missed payment' markers from March 2021. NatWest also told us that Miss O's loan is one month in arrears – but they also said there weren't any missed contractual payments (other than the agreed payment holidays). So – there is conflicting information about these points.

And so, in summary, it's clear that NatWest haven't given Miss O good service here. It seems only fair that they should put things right and remove any adverse markers from Miss O's credit file from February 2021 to the date of any final decision. And ensure her loan is not marked as 'in arrears' internally – and any collections activity should be stopped.

Miss O has been trying to get this resolved with NatWest since the end of her second payment holiday in January 2021 – and there have been several mistakes along the way. It's clearly been a source of concern and frustration for Miss O. She was made redundant because of the pandemic and was pregnant at the time. NatWest were aware of her circumstances. And this, added to the length of time it took to sort things out with NatWest leads me to consider that a further payment of £200 for distress and inconvenience is warranted here.

Responses to the provisional decision:

NatWest agreed with the provisional decision. So did Miss O, and she wanted to ensure that the arrears of £211 are removed, with no more correspondence chasing her for it. She also wanted to confirm that her account would be managed by the loan team, and not NatWest's collections team.

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.

On Miss O's points – I cannot change the balance of her loan account – so the money is still

owed. But this decision does say that as today, her account is not considered to be in arrears and so there will be no chasing of arrears. The decision also says her account will not be managed by collections – but I am stating that to be the current situation – I can't of course predict how Miss O conducts her loan account from now on, or how NatWest might manage it in the future – if for example, she missed future payments.

My final decision

I uphold this complaint. National Westminster Bank Plc must:

- Remove any adverse information from Miss O's credit file from February 2021 to the date of this decision.
- Ensure Miss O's loan account is not designated as in arrears within the bank and stop any collections activity. At the current time, Miss O's loan account should not be managed by NatWest's collections department.
- Pay Miss O £200 for distress and inconvenience. This is in addition to the compensation already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 28 April 2022.

Martin Lord
Ombudsman