

The complaint

Mr K complains about the support he received from Nationwide Building Society at the end of a COVID-19 payment deferral on a personal loan.

What happened

The background to this complaint is known to both Mr K and Nationwide. I won't repeat in detail what is already known to both parties. In my decision, I'll mainly focus on giving the reasons for reaching the outcome I have.

Mr K had a personal loan with Nationwide since June 2019. In April 2020 he asked Nationwide for a COVID-19 payment deferral. This meant that for 3 months, interest would continue to accrue on the loan account - but he wouldn't be obliged to resume his contractual repayments until the end of the 3 month period.

Nationwide contacted Mr K in July 2020 to let him know that he needed to get in touch with them to discuss what would happen next and his direct debit payments restarted in August 2020. In September and October 2020 Nationwide contacted Mr K by post and phone to say his account was now in arrears. Nationwide say a family member told them Mr K was abroad.

Mr K then spoke with Nationwide on 15 and 20 October. Nationwide said they'd need to complete an affordability assessment if Mr K wanted to reschedule his loan. Mr K said he didn't have a guaranteed income at that time and was relying on friends and family. Nationwide added a temporary freeze to the account to allow Mr K time to consider his options.

No further contact was received and Nationwide sent a default notice on 25 November 2020. As the arrears weren't cleared by the deadline given, a default was later reported and the account passed to a third-party collection agency in January 2021.

Mr K complained to Nationwide but they didn't uphold the complaint. Unhappy, Mr K referred his complaint to our Service for an independent review. Our investigator considered the complaint but didn't recommend it be upheld. As Mr K didn't accept her findings, the complaint has been 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.

Although a number of issues have been raised, this decision only addresses those issues I consider to be materially relevant to this complaint. This isn't meant as a discourtesy to either party – it simply reflects the informal nature of our Service. Similarly, I won't comment on every interaction or communication between both parties here – only the key ones. However, I've given careful consideration to all of the submissions made before arriving at my decision.

Mr K has made reference to what other businesses have done at the end of COVID-19 payment deferrals, but my decision isn't concerned with that. I'm only considering the actions of Nationwide here.

Based on what I've seen, I'm reasonably satisfied that Nationwide made it clear what would happen at the end of the COVID-19 payment deferral both at the time he requested it and also what actions Mr K needed to take when it ended.

Mr K has said he was out of the country from August 2020 onwards so wouldn't have seen any post sent to him from around that time. But I find that a reasonable level of responsibility rested with Mr K to ensure he'd taken reasonable steps to be aware of important information related to the account. For example (but not limited to) - having a family member forward or open his post. I'm not persuaded by Mr K's argument that GDPR reasons meant nobody else should open his post - as Mr K authorising them to do so wouldn't constitute a breach. Like I've said, he could alternatively have arranged for post to be forwarded to his address abroad.

As Mr K didn't return the required paperwork or contact Nationwide before the end of the deferred period, Mr K's normal monthly repayments by direct debit resumed from August 2020. This was an automated process and I don't find Nationwide have acted unfairly in doing so.

They then correctly made Mr K aware of the arrears that were starting to accrue. When Mr K did make contact with Nationwide in October 2020, his preferred option was to add the arrears to the end of the loan - by extending the loan repayment period. Nationwide explained that in order to consider this option they'd need to carry out an affordability assessment. But Mr K didn't engage fully with this assessment - based on his financial circumstances at that time.

I've then considered the Financial Conduct Authority ('The FCA') guidance on what businesses should do at the end of a COVID-19 payment deferral. The relevant guidance says businesses should offer tailored support at the end of the deferred period. But in order to provide 'tailored support', a business needs a fair understanding of their customer's financial situation. As Mr K had told Nationwide he had no income and was relying on friends and family for financial support - the options Nationwide could responsibly offer were very limited. They also advised Mr K about looking into benefits he might be eligible for. A temporary freeze was applied to the account to allow Mr K some breathing space and I consider this fair.

I've seen no supporting evidence that Mr K then engaged further with Nationwide after this point until a notice of default was sent to him on 25 November 2020.

I've noted Mr K's point about a family member paying off the arrears in March 2021 in branch, but by this point the loan had been defaulted and been referred to a third party collections agency. There is also reference to an attempted payment not going through around the end of 2020, but as our investigator has said - I'd have reasonably expected Mr K to query this with Nationwide much sooner if this was the case. Nationwide have a duty to accurately report the standing of their customer's accounts to the credit reference agencies and I don't find they've acted wrongly here in doing so.

Mr K has made a number of points about the actions of the third party business that subsequently were dealing with the debt. But my decision only concerns the actions of Nationwide and not the third party here.

Summary

I'm satisfied that Nationwide have treated Mr K fairly, reasonably and supportively here. Mr K was made aware that the payment deferral period was ending but didn't take the necessary actions to either have the loan rescheduled or agree an alternative arrangement with Nationwide to reduce the arrears.

Even after October 2020 when he was fully aware of what was happening, he didn't fully engage with Nationwide to find a suitable, agreed way forward. Nationwide couldn't fairly offer responsible, alternative options without having a good understanding of Mr K's financial situation and affordability.

My decision will disappoint Mr K, but it brings to an end our Service's involvement in trying to informally resolve this dispute between him and Nationwide.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 September 2022.

Daniel O'Shea
Ombudsman