

The complaint

Mr H complains Nationwide Building Society (Nationwide) failed to make reasonable attempts to contact him before defaulting his loan account.

What happened

Mr H says he resides in the USA and maintains a bank account and loan with Nationwide. Mr H says all his correspondence from Nationwide is sent to his mother's address in the UK, who forwards this to him, but during the Covid pandemic she moved in with another relative and was unable to do that. Mr H says he'd provided Nationwide previously with his US phone details and it had agreed it would be able to contact him on that number. In July 2020 and August 2020 Mr H failed to make payments to his loan account but says he never received any emails or telephone calls to his US telephone number from Nationwide, other than default notices and arrears letters sent to his mother's address, who was no longer at home.

Mr H says although there were some messages left on his UK telephone number these were unclear and he had naturally assumed these were spam. Mr H says Nationwide haven't been truthful when it said it hadn't agreed to contact him on his US phone number or had no record of it. Mr H feels Nationwide have acted unfairly here and wants it to clear any adverse entries on his credit file, take back the loan from the debt collection agency and resume the existing monthly loan payments.

Nationwide says it was unable to hold a US telephone number as a point of contact given the time differences and guidance from the communications regulator. Nationwide say it took reasonable steps to advise Mr H of the arrears and default of his loan account, and it remained his responsibility to ensure his monthly loan payments were paid on time, in line with the terms and conditions of the loan agreement he entered into. Nationwide says it accepts an advisor informed Mr H his complaint could be answered by email, when that wasn't the case and paid him £50 for this misinformation.

Mr H wasn't happy with Nationwide's response and referred the matter to this service.

The investigator looked at all the available information, but she didn't uphold the complaint. The investigator says there was no evidence to support Mr H's view that Nationwide held his US telephone details and had agreed it could be used to contact him going forward. The investigator says Nationwide did make attempts to contact Mr H and left messages on his UK telephone number and sent the arrears notices and a default notice to the UK Address he had provided them. The investigator says it remained Mr H's responsibility to ensure his monthly loan payments were made on time and as he hadn't, Nationwide were entitled to issue the default notice when it did. The investigator felt Nationwide acted fairly when it registered the default with the credit reference agencies and passed the loan account to a debt collection agency.

Mr H didn't agree with the investigator and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I can understand it would have been upsetting for Mr H to learn his loan account with Nationwide had been defaulted, whilst living overseas and having restricted access to his UK correspondence.

When looking at this complaint I will consider if Nationwide acted unreasonably or could have done more before it defaulted Mr H's loan account, placed it with debt collection agents and registered a default marker on his credit file.

The first thing to say is I have to take into account the fact this happened during the Covid pandemic, which affected both businesses and customers alike.

Mr H's complaint centres around whether or not Nationwide made reasonable attempts to contact him before it took the actions it did in defaulting his loan and marking his credit file as a result. Mr H is insistent that after he moved to the USA, he had provided Nationwide with his US telephone number and at the time it was agreed they could use that number as a point of contact.

Mr H has advised this service his correspondence from Nationwide was sent to his mother's address in the UK and she would then pass this onto him. However, when the Covid pandemic took hold, his mother moved to a relative's house many miles away and so he wasn't getting any post from that address during that time. Mr H says Nationwide had his email address and US contact telephone number and if it had sent arrears notices and a default, it should have tried to contact him by these methods instead, but it never did. Although Mr H says messages were left on his UK telephone number which he could access, these were unclear and sounded very much like spam - so he ignored them.

Mr H says Nationwide aren't being honest about the fact he provided them with his US telephone number and its previous agreement that it would be able to use this to contact him in the future. Mr H says he has received marketing emails from Nationwide while in the US so can't understand why it couldn't have used that method to contact him about his loan account arrears.

In summary Mr H feels Nationwide haven't done enough to contact him, before it issued the default notice on his loan account, placing it with a debt collection agency and registering this with the credit reference agencies, damaging his credit file.

Nationwide says it is unable to use an overseas telephone number as a contact point given the time difference issues (eight hours behind) and guidance from the regulator, partly to protect consumers. Nationwide make the point it remains Mr H's responsibility to make his loan payment on time and he didn't. Nationwide says it correctly sent the arrears and default notice by post to the UK address it held on file provided to them by Mr H and have a responsibility to register accurate information to the relevant credit reference agencies.

I understand the points both parties make here and when coming to a full and impartial decision I can only consider the facts and evidence provided to me, whilst considering the impact Covid had on both Nationwide and Mr H.

From what I can see there's no evidence to support Mr H had agreed with Nationwide they would use his US telephone number to contact him even if it held it or not. What is important is if Mr H says he was also affected by the Covid pandemic as he says, then it would have been his responsibility to have let Nationwide know that, as otherwise it's not clear how it could have known this. It's also fair to say Nationwide have provided evidence to show formal arrears notices and a subsequent notice of default were sent to the address in the UK Mr H had provided them and so I can't say it has made an error here, as I would expect such notification to be sent by way of a formal written notice by way of a letter and not by text, or email, given their importance.

Mr H says he did retrieve voice mail messages from his UK phone number from Nationwide, but they were unclear, and he had assumed these were spam. While I can understand he may have thought that, I can't hold Nationwide responsible for him taking that view and importantly not checking with them to establish why it may have called him.

Additionally here, Mr H knew his mother wasn't living at the address he received his usual correspondence and given that, I would have expected Mr H to have made alternative arrangements to ensure his financial correspondence was sent to him directly, and not solely rely on Nationwide to attempt to call him with an eight hour time difference, during a global pandemic, even if it held the US phone number. Afterall this was his loan account debt and while Mr H may not agree, it remains his responsibility to ensure his financial matters, including his contractual loan payments, are properly managed and if he couldn't - to have let Nationwide know that.

Having said all of that, where I do have an issue is why Nationwide took the decision to default Mr H and register this with the credit agencies, when he was only two months in arrears. I say this because in normal circumstances, I wouldn't expect businesses like Nationwide to issue or register a default until a minimum of three contractual monthly payments had been missed and they weren't here. Bearing in mind this was during the unprecedented Covid pandemic I would have thought this was even more reason to show a little more forbearance, given the impact a registered default would have on Mr H's credit file. Afterall, Mr H did make the following two months payments on time before Nationwide defaulted him and transferred the loan to a debt collection agency, so it's fair to assume Mr H may have been able to have met the two missed payments if asked to do so.

So while accepting here Mr H was responsible for ensuring his monthly loan payments were kept up to date and that Nationwide weren't to know any correspondence it had sent wasn't being forwarded to him, I do feel it shouldn't have registered a default after only two missed contractual monthly loan payments, given the reasons I have already explained.

With that in mind, I propose Nationwide remove the default marker on Mr H's credit file and simply leave in place the two missed monthly payment markers for July 2020 and August 2020. Following that, both Nationwide and Mr H should discuss the resumption of the existing monthly loan payments going forward, if that is not affordable the debt should remain with the debt collection agency with an appropriate payment plan put in place.

While Nationwide will be disappointed with my provisional decision, I feel this is a fair outcome here.

Mr H accepted my provisional decision, but despite two extra weeks of time extensions granted to Nationwide I have heard nothing further from them, so the case has been passed back to me 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 gave both Mr H and Nationwide initially until 16 June 2022 and then a further extension until 29 June 2022 to accept or reject my provisional decision.

Mr H has accepted my provisional decision but Nationwide haven't provided any further comments for me to consider and so I see no need to change or add to my original provisional decision, and so my final decision remains the same.

Putting things right

I instruct Nationwide Building Society to remove the default marker on Mr H's credit file and simply leave in place the two missed monthly payment markers for July 2020 and August 2020. Following that, both Nationwide Building Society and Mr H should discuss the resumption of the existing monthly loan payments going forward, if that is not affordable the debt should remain with the debt collection agency with an appropriate payment plan put in place.

My final decision

My final decision is that I uphold this complaint.

I instruct Nationwide Building Society to remove the default marker on Mr H's credit file and simply leave in place the two missed monthly payment markers for July 2020 and August 2020. Following that, both Nationwide Building Society and Mr H should discuss the resumption of the existing monthly loan payments going forward, if that is not affordable the debt should remain with the debt collection agency with an appropriate payment plan put in place.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 July 2022.

Barry White
Ombudsman