

## The complaint

Mr L complains that Nationwide Building Society acted unfairly when it recorded a default on his credit file.

## What happened

The background to this complaint and my initial conclusions were set out in my provisional decision. I said;

*Mr L had a current account with Nationwide that had an overdraft facility of £3,000 in 2011. Mr L has explained he moved home in 2012 and had switched his day to day banking to another provider some years before. Mr L's address wasn't updated with Nationwide.*

*The account remained open and Nationwide carried out reviews of the overdraft facility every six months. By January 2014 the overdraft limit was £1,700. In the same month a direct debit for £330 was collected and the account received its final credit of £285. That left a balance of £58.66 in Mr L's account.*

*Mr L's account remained in credit until a direct debit payment was collected in June 2014. In June 2015 Nationwide applied a "no trace" marker to Mr L's account after post was returned undelivered. At this point, the overdraft facility was £1,700 and the balance was overdrawn by £53.75. Interest was applied monthly and the balance owed increased, in the main, due to direct debits collected roughly every six months. Nationwide says it stopped sending Mr L statements because of the no trace marker applied to his account.*

*The overdraft limit reduced over time following reviews by Nationwide and by April 2017 it was £250. But due to the direct debit payments collected, Mr L's account balance exceeded the new credit limit. Nationwide sent Mr L letters about his overdraft position along with a default notice and formal demand in the months that followed. But the letters went to the address Nationwide retained on file, so Mr L didn't receive them. The account was closed and a default was recorded in October 2017.*

*In 2021 Mr L says he found the default when applying for a mortgage. Mr L went on to complain and Nationwide sent him two final responses. Nationwide didn't agree it had acted unfairly by applying the default to Mr L's credit file. Nationwide said Mr L's account was run in line with the overdraft limits until April 2017 and that letters had been sent to try make contact. Nationwide said the account was correctly closed and a default recorded.*

*An investigator at this service looked into Mr L's complaint but felt Nationwide had dealt with it fairly and didn't ask it to do anything else. Mr L asked to appeal and said his account had effectively been dormant since 2013 and that Nationwide had unfairly allowed old direct debits to be collected. Mr L has explained he thinks the account should've been closed in 2015 when it was overdrawn by £115 and the no trace marker was added. Mr L also said Nationwide should've done more to try and trace him when post was returned in 2015, in line with the rules. As Mr L asked to appeal, his complaint has been passed to me to make a decision.*

## **What I've provisionally 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'm aware I've set out the background to this complaint in less detail than the parties involved and I've done so in my own words. I want to assure both parties that I've read and considered all the information provided in reaching my decision. I'm not going to respond to every point made by all the parties. No discourtesy is intended by my approach. I've focused on what I think are the key issues in this complaint.*

*My approach is in line with the informal nature of this service as a free alternative to the courts and the rules we operate under. If I haven't mentioned something it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every argument made to be able to reach what I think is the fairest outcome.*

*Mr L appears to accept he didn't update his address with Nationwide when he moved in 2012. I understand Mr L feels his account was in a dormant position from 2013, but the information available doesn't show that to be the case. The statements show that whilst the account wasn't in regular use, direct debits were being claimed and credits were being applied. The last credit to Mr L's account I can see was for £285 in January 2014 and, at that point, the account was not overdrawn.*

*The majority of the balance owed came about through two direct debits, one for a professional membership and the other for a leisure membership. Whilst some interest was added by Nationwide, it was the direct debits that caused Mr L's account to go overdrawn. Mr L has told us these were old direct debits, but I've not seen anything that shows he notified Nationwide not to pay them. Mr L could also have cancelled the direct debits with the providers. Given the account was open and operating within its credit limit, I think Nationwide acted fairly by continuing to pay the direct debit payments requested.*

*It took from January 2014 to October 2017 of Mr L's account being in an overdrawn position for it to be closed and defaulted. I understand Mr L feels this should've been completed when the no trace marker was recorded in 2015. But at that stage, there was no grounds to close his account or record a default. In June 2015 Mr L's account was overdrawn by £115.30 against an overdraft limit of £1,700. So the account was operating in line with the agreed limits. The main issue was that Mr L's post had been returned and Nationwide recorded a no trace marker. But that, in itself, isn't grounds to close an account and record a default.*

*Nationwide has provided evidence to show how it reviewed Mr L's overdraft limit over time. I can see the limit was reduced in stages between April 2015 and April 2017 when it reached £250. The reason no collections activity began prior to that point was because the account was still being run in line with the agreed limits with direct debits being honoured on Mr L's behalf. It was only when the final reduction to £250 took place in April 2017, when Mr L's account was £280 overdrawn, that the move to close it started. Given Mr L's account was operating in line with the agreed limits until that point, I haven't found evidence of an unreasonable delay.*

*Mr L has told us he feels Nationwide failed in its duty of care as it didn't do enough to contact him when it applied the no trace marker to his account and stopped sending statements.*

*Mr L has highlighted BCOBS 4.2.1 that says a business can stop sending statements if it believes a customer is no longer resident at the registered address and it's not practical,*

*after reasonable inquiry, to ascertain their new address. Mr L says there's no evidence that Nationwide made reasonable inquiry to ascertain his new address and that, had it done so, it would've traced him and resolved this situation before a default was recorded.*

*I take Mr L's point and agree the rules required Nationwide to make reasonable attempts to trace him before it stopped sending statements. I understand no up to date telephone numbers or email addresses were recorded on Mr L's profile and he didn't use online banking. That meant Nationwide's options were limited.*

*However, I note Nationwide was monitoring Mr L's credit file both before and after it applied the no trace marker. And it's clear it was able to find information about Mr L's circumstances there that was used to make decisions about the overdraft limit. And there are other methods businesses can use to trace customers. Whilst it may not have been part of Nationwide's standard process to that here, it doesn't automatically mean that following its normal approach led to a fair outcome in the individual circumstances of Mr L's case.*

*As I see it, Nationwide was aware Mr L wasn't resident at the address on file going back to June 2015. And whilst I accept it's required to send default letters in the post, it's difficult to argue there was any benefit to Mr L given Nationwide knew he wouldn't receive them. In my view, Nationwide knew or should've known Mr L wouldn't receive important correspondence like its default notice and formal demand when it sent them to his old address.*

*Given the overall value of the default, along with the account use, I think it would have been proportionate and fair in the individual circumstances of Mr L's case for Nationwide to have done more than its normal process to try and trace him. A default is something that may have a serious impact on a customer's financial position. And I'm not persuaded the default accurately reflects Mr L's credit worthiness. That's especially the case here as I'm satisfied the issues raised came about due to an oversight rather than an unwillingness or inability to pay.*

*Had Nationwide traced and contacted Mr L either prior to its decision to stop sending statements in June 2015 or in the run up to the default date in October 2017, I'm satisfied he would've taken steps to repay the balance without the need for a default. I'm satisfied the issue came about as a result of an oversight by Mr L in not updating his address rather than genuine financial difficulties or a refusal to pay. Based on the information I've seen so far, I intend to uphold Mr L's complaint and direct Nationwide to remove the default from his credit file.*

*I need to decide how to fairly settle Mr L's case and what level of compensation Nationwide should pay. Mr L has told us he lost out financially due to being unable to restructure a mortgage during the stamp duty holiday last year. And Mr L says that's cost him over £11,000. But, it's important for me to consider both sides of a complaint and remain impartial.*

*I have to take into account that Nationwide also makes a reasonable point when it says the situation could have been avoided if Mr L had updated his address when he moved, in line with the account terms and conditions. Whilst I agree Nationwide should've done more in the years that followed, I can't say the issues raised were caused solely by Nationwide's actions. And for me to award compensation in terms of stamp duty, I'd have to see evidence of the costs Mr L incurred and that it was solely Nationwide's actions that meant the planned refinance didn't proceed. As matters stand, I haven't been persuaded to award compensation for the stamp duty savings Mr L says he's missed out on.*

*That being said, it's clear the default and issues raised have caused Mr L a reasonable level of distress and inconvenience. So in addition to amending his credit file, I also intend to tell Nationwide to pay Mr L £350 for the distress and inconvenience caused. In my view, that figure fairly reflects the and is a reasonable way to resolve his complaint.*

I invited both parties to respond with any additional comments they wished to make before I reached my final decision. Nationwide didn't give any new information to consider.

Mr L responded and sent in confirmation from a mortgage provider that his credit score impacted an application he'd made. Mr L has explained that the issue with the default on his credit file meant he wasn't able to restructure a mortgage to take advantage of a stamp duty holiday. Mr L also pointed out interest rates have changed since which will lead to further costs going forward. Mr L also provided a detailed explanation of his intentions in 2021 and hope to relocate.

### **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'd like to thank Mr L for the level of detail he's given in his response. The email Mr L has sent from his mortgage lender says the application was declined due to adverse credit that was likely defaults and arrears. I accept the default most likely played a key role in the Mr L's mortgage lender's decision.

Whilst that may be the case, in my provisional decision I said I had to take Nationwide's comments into account as well. And Nationwide has correctly pointed out that Mr L failed to update his address for this account and also failed to stop regular payments being debited over a sustained period. Nationwide correctly highlights that if Mr L had amended his address, in line with the account terms and conditions, or cancelled his direct debits, the default would most likely not have come about.

I still think that's a reasonable point and whilst I agree Nationwide did make mistakes, I haven't been persuaded it's solely responsible for the way Mr L's account was closed.

I'm very sorry to disappoint Mr L as I understand the sums involved are substantial, but I haven't been persuaded it would be fair to tell Nationwide to cover additional costs in line the stamp duty saving or future interest rates. I still think the fairest way to resolve Mr L's complaint is for Nationwide to pay him £350 for the distress and inconvenience caused.

### **My final decision**

My decision is that I uphold Mr L's complaint and direct Nationwide Building Society to pay him £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 16 August 2022.

Marco Manente  
**Ombudsman**