

The complaint

Mrs B complains that she didn't get help from National Westminster Bank Plc (NatWest) when she was in persistent debt.

What happened

Mrs B had a credit card from NatWest. The limit was £14,300. In March 2020, the balance was £14,132 and in September 2020, the balance was £13,914. NatWest wrote to Mrs B in March 2020 to say she was in 'persistent debt'. Mrs B then contacted NatWest and the persistent debt process was postponed. NatWest then wrote to Mrs B on 3 September 2020 and 28 September 2020. Her account was closed on 12 October 2020. The balance on her October 2020 statement had reduced to £3,793.

Mrs B complained that NatWest hadn't supported her when she was in persistent debt. She said the options given weren't helpful, and she hadn't been given any notice her account was to close. Her statements didn't say her limit had been cancelled. As a result, she had a transaction declined.

In February 2021, NatWest said Mrs B's account had been closed in line with their processes for customers in persistent debt. These were in place to protect customers who paid more in fees, interest, and charges than they'd repaid though monthly payments to their accounts – leading to customers paying back more in the long run. NatWest said they'd contacted Mrs B in March 2020 about this, following which Mrs B complained. They then contacted Mrs B again on 3 September 2020 and 28 September 2020. Her account was closed on 12 October 2020 and NatWest said they'd written to Mrs B to advise her of that. And so – NatWest said they'd acted fairly.

Mrs B brought her complaint to us. Our investigator agreed with NatWest. She said Mrs B's account was closed in line with the rules for customers in persistent debt and NatWest had advised her about this. NatWest also had the right to close accounts in their terms and conditions.

Mrs B didn't agree and asked that an ombudsman look at her complaint.

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.

In asking for a decision on this complaint, Mrs B has raised some further points about another complaint she brought to our service and which was subject to a final decision in August 2022. I won't be commenting on that decision, as under the rules that apply to us a decision is final.

Mrs B was in persistent debt – and NatWest argue that her account was closed in line with their persistent debt processes. So, I've looked to see if that was fair and reasonable, and whether NatWest's communications were clear and not misleading – which is what the

Financial Conduct Authority say must be the case.

At the outset, let me say that this service exists to resolve individual disputes between customers and financial businesses – in this case, Mrs B and NatWest. We are not the regulators of NatWest – that's the Financial Conduct Authority (FCA) – so I'm not going to comment on the validity of the persistent debt scheme. That's for the FCA and if Mrs B wishes to challenge it, then she must approach them. But – the FCA have set out the persistent debt rules, and NatWest must follow them. It's our role to ensure they've done so fairly and reasonably.

The FCA's persistent debt rules are set out in the FCA handbook, CONC 6.7.27. These say (in summary) that firms such as NatWest must look at the accounts of borrowers to ensure they're reducing their debts and therefore, not paying too much interest. And so – where a borrower is paying more in interest and fees than they are paying towards reducing the amount of the debt, then a repayment plan should be put in place to deal with this. And, where this can't be agreed, the card may be suspended or account closed – to stop customers from increasing their debts further. The intention of the rules is to ensure that customers are protected from paying too much interest – and in some cases, never actually repaying their debts. This typically happens if customers only pay the minimum amount each month, while still spending on their cards.

I can see that NatWest wrote to Mrs B in March 2020 to say she was in persistent debt. They suggested a number of payment plans – whereby she could pay off the debt over periods of up to four years. NatWest offered to discuss options with Mrs B, but the letter also said “...we may stop further spending and close your account to allow your balance to reduce quicker...” I can then see that Mrs B contacted NatWest to say the options weren't helpful. NatWest then postponed the process until September 2020 – to allow her to consider her options. On 1 April 2020, there was a discussion with Mrs B and she was advised to contact NatWest's specialist team (who support customers in financial difficulty) – to see if they could help. The notes on Mrs B's account say they she would have to complete an income and expenditure form – so NatWest could see what her circumstances were.

I've considered what happened here – as businesses have an obligation to treat customers in financial difficulty sympathetically and the Financial Conduct Authority (FCA) says that businesses like NatWest should treat customers in difficulties with forbearance and due consideration. For example, a business might suspend or waive interest, accept lower payments, or defer them, and allow customers more time to repay their debt. And so – if Mrs B had come forward with evidence of financial difficulty – with an income and expenditure assessment, NatWest may have been able to help her with a low interest (or zero interest) payment plan. That would've been subject to NatWest's assessment of her situation, so I can't say whether such a plan would've been agreed or not. But – I can't see that Mrs B didn't contact NatWest as they'd suggested she did, and so that option didn't materialise. But I think NatWest did meet their obligations here – as they did offer Mrs B a discussion with their support team.

I can see that as nothing had happened, NatWest then continued with their persistent debt process. And on 3 September 2020 wrote to Mrs B “We previously wrote to you to advise that your credit card would be closed if we did not hear back from you. This was due to us taking steps to help you avoid having debt on your credit card for a long period of time, which is often an expensive way to borrow money. This letter is reminding you that we will stop further spending on your card and close your account in 30 days time if you don't contact us.” NatWest's records show they then contacted Mrs B again on 28 September 2020 to say her account would be closed in seven days' time.

And then, on 12 October 2020, NatWest confirmed to Mrs B that her account had been closed. The letter said *“As we advised in our recent correspondence about your persistent debt balance and the options available to repay, we have now closed your credit card account and you will no longer be able to use your card. This is intended to help you repay your credit card account balance more quickly saving you money in the longer term.”*

And so – I think NatWest gave clear notice of what was going to happen to Mrs B’s account, and why. And they then confirmed her account was closed and no further spending was allowed.

However, I did notice that the limit on Mrs B’s statements remained at £14,300 – so I can accept that Mrs B may have been confused by that. We asked NatWest about this and they said that it was their normal process to leave the limit showing on statements in these circumstances. I’ve considered this point – and whether it is an important one in the context of Mrs B’s complaint. And here – because the letters sent by NatWest were clear – saying that Mrs B’s card would be stopped, on balance, I don’t think this point alone persuades me to uphold Mrs B’s complaint.

I can see that Mrs B feels strongly about her complaint and has argued it strongly with NatWest and ourselves. She will therefore be disappointed by my decision. But I’m not going to ask NatWest to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs B to accept or reject my decision before 2 December 2022.

Martin Lord
Ombudsman