

The complaint

Mrs B says National Westminster Bank Plc unfairly closed her credit card account and passed it to a debt collector when she was making her repayments.

What happened

Mrs B says she has never missed a payment her credit card account, and is within her limit, yet NatWest has suspended her account and passed the debt to recoveries. She says NatWest offered her help but then did the opposite. She doesn't understand what it has proposed and if it will have adversely impacted her credit file.

Our investigator did not uphold Mrs B's complaint. She explained that in March 2018 the regulator, the Financial Conduct Authority (FCA), introduced new persistent debt guidelines. As Mrs B's account was identified as being in persistent debt this meant NatWest was obliged to contact Mrs B to try to help her reduce the balance faster. She said NatWest had evidenced that Mrs B responded to its letter to discuss her options. It wanted to speak to her to progress this but there were numerous failed call attempts. Mrs B completed an income and expenditure form but returned this without a proposed payment amount. As no agreement was reached NatWest suspended Mrs B's account. In the circumstances our investigator found this to be reasonable, and allowed under the terms and conditions of the account.

Unhappy with this assessment Mrs B asked for an ombudsman's review. She asked if we think NatWest have done nothing wrong can we please explain what it has done to help.

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 keeping with our role as an informal dispute resolution service and as our rules allow I will focus here on the points I find to be material to the outcome of Mrs B's complaint.

I am not upholding Mrs B's complaint. I'll explain why.

Mrs B's account was identified by NatWest as being in persistent debt. The Financial Conduct Authority's (FCA) persistent debt rules are set out on the FCA handbook, CONC 6.7.27. They 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 – 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.

This is why NatWest wrote to Mrs B on 10 December 2021. I have looked at all the correspondence between the parties that followed. I can see that Mrs B had questions and concerns, but ultimately I think had she called the bank as it repeatedly requested a solution might have been found. I note she did submit a revised financial statement but she did not make a monthly offer of payment as requested. NatWest therefore wrote back explaining how this could be calculated, and which organisations could support her with free advice if needed. I am sorry Mrs B struggled financially as a result of the pandemic, but I cannot agree that the bank offered help and did the opposite.

It followed the regulatory guidelines for cases of persistent debt, as it is obliged to, and as this did not result in an agreed payment plan it suspended Mrs B's account and started the collections process.

It follows I do not find NatWest did anything wrong that it needs to put right.

I would urge Mrs B to call the bank to agree a repayment plan, assuming an outstanding balance remains. I would remind NatWest of its obligation to treat Mrs B fairly and with forbearance, if relevant.

Mrs B sent in copies of more recent correspondence between the parties after our investigator issued her view. As NatWest had not had the opportunity to investigate these new issues it was doing so, and they are the subject of a separate complaint. So I cannot comment here on them as Mrs B requested. If she is unhappy with the bank's final response letter she can raise a new complaint with this service.

My final decision

I am not upholding Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 2 January 2023.

Rebecca Connelley
Ombudsman