



The complaint

Mr H complains that The Royal Bank of Scotland Plc unfairly closed his account causing a default and reported this information to the credit reference agencies.

What happened

RBS carried out a review of accounts held by Mr H and decided to close them, giving him seven days' notice. Mr H has explained that he wasn't aware of the closure at the time because he never received letters from RBS about his account being closed. RBS also sent Mr H texts about his account which he received.

At the time of the closure, Mr H was using his overdraft and RBS asked him to repay it. RBS have explained they sent two letters to Mr H about his account and the outstanding debt. But, Mr H says he never received them, and RBS eventually defaulted the account and passed the outstanding debt to another agency for them to collect.

Mr H complained to RBS about the treatment of his debt and wanted the default reversing and the credit reference reporting to be changed. Mr H was worried about the impact of the default on his credit rating. He explained he would have paid off the outstanding balance on his account if he'd been made aware of it.

RBS didn't change their position and Mr H then brought his complaint to the Financial Ombudsman Service for an independent review. Mr H's complaint was looked into by one of our adjudicators who asked both parties for information about the issue. Mr H explained that he'd been made aware of a problem with his account by text but hadn't received any letters regarding the closure of his account or the need to repay his overdraft. Mr H indicated he would have paid off the debt if he'd been made aware of it to avoid the default that was later recorded against him.

RBS provided details of the letters sent to Mr H at his home address and argued that Mr H had been given over a month to resolve the debt which would have avoided the default notice being recorded against him. RBS believed that the seven days' notice to close the account was appropriate.

After reviewing the information, our adjudicator felt that RBS hadn't acted fairly towards Mr H and should have given him more notice to close the account. Compensation was recommended together with the removal of the default. It was also recommended that a payment plan was agreed to settle the outstanding debt.

RBS disagreed with the adjudicator's recommendations. They thought that their actions were fair, and they'd operated within the terms of the account when providing seven days' notice to close it and a further 28 days to arrange repayment of the debt. RBS made an offer to Mr H to remove the default if he paid off the debt within 14 days.

Mr H didn't accept the offer from RBS, so the complaint has now been passed to me. I issued a provisional decision where I said:

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

There are two main parts to this complaint – that's whether RBS acted within the terms of the account when they gave seven days' notice to close it and how they then dealt with the outstanding debt and subsequent default of the account.

Account closure

RBS carried out a review of Mr H's accounts after which they concluded they no longer wished to offer him banking services. RBS's terms enable them to close the account without giving the usual 60-day notice period under certain conditions.

I've reviewed the evidence provided by RBS relating to this and whilst I won't be able to reveal the full extent of the information, I don't think they acted unreasonably here and the seven-day notice to close the account was fair. I appreciate Mr H will be left somewhat unhappy because the reasons for closing it remain unexplained to him, but I hope that he can take some measure of confidence from an independent review by this service of RBS's actions.

Default

When RBS decided to close the account, they blocked Mr H's card and sent him messages by text and letter. Mr H was aware of a problem with his account from the texts he received and that his card no longer worked. But, Mr H denies receiving the letters from RBS that set out the need to repay the overdraft and the consequences of not doing so.

I've seen the log from RBS that recorded the issue of the letters and I have no reason to doubt that they were sent to Mr H. At this point I've not seen any evidence that they weren't delivered such as problems with postal deliveries or thefts of mail at Mr H's address.

Mr H has said he tried to get in touch about his account but without success. I've not seen any evidence of this from RBS (such as call logs or recordings), so if Mr H can provide details of his attempts to contact RBS, then I'll be happy to consider this information.

It's apparent from looking at the recent statements that Mr H was aware of his account activity and how much of the overdraft was being used because he would send funds to keep the overdraft within its limits. So, when he received information that RBS had issues with his account and that his card was blocked, I think it's reasonable to conclude Mr H was aware he had an outstanding overdraft that he was required to repay to RBS. I don't think it's central to the complaint whether Mr H received the letters from RBS because he chose not to repay any of the outstanding debt when I think it likely he knew he'd already used it.

As far as RBS were concerned, they'd provided details of what was required to repay the loan and avoid a default but hadn't received any response or any funds to pay down the debt. I think it was reasonable for RBS to default the account and advise the credit reference agencies of the situation once they'd sent both letters to Mr H.

RBS made a further offer for Mr H to repay the debt and remove the default which he declined. This offer was following the adjudicator's opinion. So, at the time Mr H declined to make any repayment, he thought that his complaint was to be upheld. I can understand why he did this, but the fact remains that he had an outstanding debt which Mr H said he would have repaid if he knew about it - but it doesn't appear that any payment was made towards the debt in the months prior to the complaint being raised with our service.

As with any debt, the collecting organisation are obligated to take into account the circumstances of the debt holder, which is what I'd expect to happen in this case when arranging for its repayment.

In summary, I currently think the seven-day notice to close was reasonable and the default of the account following a lack of payment or contact from Mr H was an appropriate way for RBS to deal with the monies they were owed.

I invited Mr H and RBS to give me any more evidence and information they wanted me to consider before issuing my final decision. Mr H didn't respond and RBS didn't have anything further to add.

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.

Having done so, and as neither party had anything further to add, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

My final decision

My final decision is that I do not uphold this complaint against The Royal Bank of Scotland Plc.

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

David Perry
Ombudsman