

The complaint

Ms L has made various complaints about the actions of National Westminster Bank Plc (NatWest) in relation to a loan and an overdraft account she has.

What happened

I previously issued my provisional decision on this case. I provided more information and detail to that of the Investigator and so I wanted to give both parties the chance to respond with any more information they wanted me to consider before I came to a final decision on the matter.

I have copied my provisional decision below, which also forms part of this final decision.

“Ms L has two accounts with NatWest – a loan account and an overdraft account.

Ms L got into some financial difficulties after her personal circumstances changed, and she could no longer keep up with the repayments on the accounts.

Eventually in 2019 the accounts defaulted, and NatWest instructed a debt collector to try and collect the debt on its behalf. Then in 2020, NatWest took the accounts back from the debt collectors and took a commercial decision not to pursue Ms L for the debt.

Ms L has disputed the amount NatWest says she owes. The total balance NatWest says Ms L owes is £6,812.20 – this relates to £2,760.87 on her overdraft account and £4,061.33 from the loan account.

Our Investigator looked into Ms L’s complaint about the outstanding balance too. They explained that they thought the balance was correct, and they explained why. Ms L accepted this explanation and said that she was no longer disputing this. But raised other issues in response to the view and asked for an Ombudsman to consider the matter.

In response to the Investigator, in summary, Ms L explained that she was unhappy that she’d received conflicting information from NatWest about the status of her account – she says NatWest had told her it had written off the balance, but it then sent her a letter asking her to get in touch with a debt collector to arrange a repayment plan. Ms L also thought the balance of the account ought to have been less had NatWest not added interest and charges. She has also said that NatWest’s decision to give her a loan and increase the limit on her overdraft account was an irresponsible one, because she couldn’t afford to repay them.

I have since explained to Ms L that her complaint about irresponsible lending, and interest and charges being added to the accounts are new and separate complaints. So, this decision won’t be considering those points. If Ms L wants to pursue a complaint about these points, then she’ll need to contact NatWest.

Ms L said that she wanted an Ombudsman to consider her current complaint about the

balance. While she accepts that the outstanding balance has been calculated correctly, she thinks that the balance should actually be showing as 'zero' because NatWest told her it had written off the balance. And so, she thinks she should have nothing more to pay to NatWest, and the zero balances should be reflected on her credit report.

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.

Having considered everything, I don't currently intend to uphold Ms L's complaint. I appreciate this provisional decision will come as a disappointment to her, but I'll explain my reasoning below.

The total balance NatWest says Ms L owes is £6,812.20. This is made up of the balances from two separate accounts – the loan account £4,061.33 and the overdraft £2,760.87. I note that Ms L has previously agreed that this balance has been calculated correctly. But for completeness, I have looked at the statements leading up to the balances, and I haven't seen anything that makes me think the total outstanding balance is incorrect. So, I don't think the amount NatWest says Ms L owes is inaccurate.

However, now Ms L says the balance is incorrect because she's been told by NatWest that the balance has been written off. And Ms L has taken this to mean that the balance should be zero.

I've thought about this point very carefully, but I don't currently agree with Ms L that her balance should be showing as zero. And I'll explain why below.

I have seen a letter NatWest has sent to Ms L where it does refer to the balance being written off. NatWest has confirmed that it isn't pursuing Ms L for the balance at the moment. However, Ms L does remain liable for the balance. The balance is still being reported to the credit reference agencies and NatWest has said that it reserves the right to sell on the debt at a later stage if it wants to.

In my opinion, it's not unreasonable for Ms L to have understood "written off" to mean she'd be free from this debt going forward – it's what the reasonable borrower would understand this to mean in the circumstances.

But NatWest has said that it uses the term 'writing off' to mean that it has taken the commercial decision not to pursue the debt.

Writing off a debt and not pursuing a debt are two separate things. Writing off a debt would essentially mean wiping the debt clear as though it no longer exists. But not pursuing the debt would mean that the debt still remains, but NatWest weren't going to pursue it at that time, which is what it's said it has decided to do in Ms L's case.

For clarity here, NatWest hasn't written off Ms L's debt. It has clarified that it doesn't intend to pursue her for the debt at the moment. And so, the outstanding amount Ms L is liable for is still £6,812.20.

If it wasn't NatWest's intention to completely wipe the balances of the accounts, I think it'd have been good practice for NatWest to explain clearly to Ms L what was going to happen next and how the debt would be recognised going forward.

NatWest has explained to me that it contacted Ms L by letter to let her know what would

happen with the debt going forward. It hasn't been able to send me an actual copy of the letter it says it sent to Ms L, and I've also not seen any evidence of this letter being sent. But it has sent me a sample letter of what it says it would have sent.

This sample letter does explain that the customer remains liable for the debt and that the credit reference agencies would be updated. So, if Ms L did receive a letter of this nature, I think it ought to have been clear to her that she was still liable for the debt, and the balance would be reported to the credit reference agencies.

Even if Ms L didn't receive this letter, I can see she was sent a letter on 16 May 2021, which explains she is still liable for the debt – this is also the same letter that says that the debt had been written off.

While I can appreciate some of the terminology NatWest has used to describe the status of Ms L's account has been confusing, I haven't seen anything that makes me think NatWest mis-lead Ms L into thinking that she wouldn't be liable for the debt.

Ms L believes that NatWest should write the debt off because it told her it would. But I don't currently agree that it should.

There isn't anything in the rules that says a lender should write off the balance of an account. Generally, the only time where it might be fair for a balance to be written off entirely would be where there's no reasonable prospect of a customer being able to repay the balance and that this situation is unlikely to change going forward. I haven't seen anything that makes me think this is the situation for Ms L.

The Consumer Credit Sourcebook (CONC) says that a lender should consider consumers in default with forbearance and due consideration. I can see that NatWest has frozen future interest and charges on this account, and it has taken the decision not to enforce repayment of the debt at this time. So, I think NatWest has treated Ms L with forbearance and due consideration.

Taking everything I've seen so far into account, I think the outstanding balance being reported in relation to this account is correct. And I don't think NatWest has been unfair by not writing off the balance fully."

NatWest responded to the provisional decision to say it had nothing further to add.

Ms L didn't respond, so I've assumed there is nothing else she wants me to consider.

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 considered everything again and given that neither party has anything else to add, I see no reason to depart from the findings in my provisional decision. It follows that I don't uphold Ms L's complaint.

My final decision

For the reasons set out above, I don't uphold Ms L's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 13 December 2022.

Sophie Wilkinson
Ombudsman