

The complaint

Miss A complains that National Westminster Bank Plc (NatWest) unfairly closed her loan and recorded a default on her credit file.

What happened

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

Miss A had a loan and credit card with NatWest. In September 2021 NatWest received notice that Miss A had entered into an IVA, including the credit card and loan. But Miss A had second thoughts and cancelled the IVA around two weeks later. Miss A says she emailed a copy of the IVA cancellation confirmation to NatWest on 4 October 2021.

Miss A contacted the loan team and advised that she wanted to agree a payment plan. But the loan team advised that her account had been referred to the recoveries department and would be handled by a third party agent. NatWest explained the third party would be in touch to discuss payments.

Despite several calls to NatWest over the following weeks Miss A didn't hear from the third party and NatWest declined to agree any payment plans. In December 2021 NatWest issued a formal demand and in January 2022 it terminated the loan, recording a default on Miss A's credit file.

Miss A complained and pointed out that NatWest's credit card team had been able to agree a payment plan and take steps to ensure no default was recorded on her credit file. But the loan team had not offered the same support. NatWest issued a final response but didn't agree it had acted unfairly.

An investigator at this service looked at Miss A's complaint. They didn't think NatWest had treated Miss A unfairly. Miss A asked to appeal and said she'd been prevented from agreeing a payment arrangement with NatWest despite making numerous requests to do so. As Miss A asked to appeal, her 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.

Miss A entered an IVA but quickly decided it wasn't right for her. I can see Miss A contacted NatWest's loan teams on 22 October 2021 and was given the email address to forward the relevant documents. NatWest says it received the evidence on 3 November 2021 and advised Miss A its third party agent would be in touch to discuss the loan and potential arrangements.

Looking at the call notes and what Miss A's told us, it's clear she wanted to agree a payment arrangement of some kind. I understand it was NatWest's decision to refer the matter to

specialists and a third party. But it appears to me that there were delays in that process. On 4 November 2021 a default notice was issued, despite Miss A advising she wanted to begin payments.

I can see Miss A contacted NatWest throughout November and December 2021 to try and agree an arrangement. On 8 December 2021 NatWest sent Miss A a formal demand. NatWest's contact notes from 21 December 2021 say the DCA (debt collection agency) instruction was pending at that point and no plan could be agreed. But Miss A's told us no contact was received before the loan was terminated and a default recorded.

I agree with Miss A that NatWest failed to treat her fairly after she advised the IVA had been cancelled. Whilst I understand the recoveries team wanted the third party to act on NatWest's behalf, I can't see any reason for the delay in making contact with Miss A. In my view, NatWest ought to have ensured contact was made without any delay so Miss A could discuss options for reaching an arrangement. Instead, NatWest issued default letters and declined to engage when Miss A asked to make payments.

Based on the information I've seen so far, I intend to uphold Miss A's complaint. I think the fairest approach would be for NatWest to rewind the loan to October 2021 and either discuss plans for a payment arrangement with her directly or make plans for its third party agents to do so. Miss A should be aware that this process will likely include an income and expenditure assessment. And if that doesn't show Miss A is able to afford a payment arrangement, NatWest won't be obliged to reinstate the account or amend her credit file. If Miss A is shown to be in a position to sustainably make payments under an arrangement, NatWest will then have to take steps to reactivate her loan and remove the default.

In my view, the level of service provided to Miss A should've been better. Miss A has told us she feels confused by the differing approaches taken by the loan and credit card teams and NatWest. And I think she has a point. One team was able to deal with Miss A in a way that meant she didn't receive a default, the other was not. I see no reason why Miss A shouldn't expect consistent treatment from NatWest or that it would've been unfair to agree a payment arrangement in place of terminating the loan. So I also intend to tell NatWest to pay Miss A £250 for the distress and inconvenience caused.

I invited both parties to respond with any additional comments or points they wanted me to consider before making my final decision. Miss A confirmed she was willing to accept. NatWest didn't accept my provisional decision. NatWest responded and reiterated it had followed the correct approach and that no mistakes had been made. NatWest also gave information about the normal process it follows when reopening a loan and how that will impact Miss A's credit file.

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.

NatWest responded to say it remained of the view it had followed the correct process and that its decision to default the account loan was reasonable. But my view remains the same as I reached in my provisional decision. Ultimately, Miss A notified NatWest the IVA had been cancelled on 22 October 2021. Miss A then forwarded the requested evidence to NatWest on 3 November 2021. NatWest says it needed to instruct a third party to handle Miss A's account. But NatWest's delay in taking that step very much impacted what happened to Miss A's loan.

I've looked back over the file and can see Miss A made concerted efforts to try and proactively work with NatWest. The evidence provided shows Miss A was told to wait for a third party but in the meantime her loan was closed and a default recorded. NatWest says it's followed the standard approach when someone decides to cancel an IVA and no mistakes were made. But I'm satisfied there were lengthy delays that impacted Miss A unfairly and that NatWest could've acted sooner. I haven't been persuaded to change my view of how to resolve Miss A's complaint.

NatWest's response also says that it can reopen the loan and *then* check whether Miss A can afford to make repayments and reach an agreement in relation to the arrears. NatWest says that if Miss A can't, it will move the loan back through the default process again and that would lead to a later default date overall. Whilst I understand that's the normal approach, I'm not persuaded that's fair in Miss A's case.

Given the time it's taken to reach this stage, history of Miss A's case and way her loan was handled, I'd expect NatWest to complete the necessary income and expenditure assessments *before* it reopens the loan, not after. If Miss A's income and expenditure assessment doesn't show affordability, NatWest can leave the existing default in place – in line with the settlement I noted in my provisional decision. But if the assessment shows Miss A is able to afford to begin payments again and agree an arrangement for the arrears, NatWest should reinstate the loan on its systems. At that stage, Miss A's credit file can be updated to include the arrangement.

As I haven't been persuaded to change my view, I'm upholding Miss A's complaint in line with the settlement noted in my provisional decision.

My final decision

My decision is that I uphold Miss A's complaint and direct National Westminster Bank Plc to settle as follows:

- Within four weeks of acceptance, contact Miss A and complete an income and expenditure assessment (or other appropriate assessment) with a view to agreeing a payment arrangement for the loan
- If the process shows Miss A can sustainably maintain a payment arrangement, NatWest should reinstate the loan and remove the default from her credit file
- Pay Miss A £250 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 22 December 2022.

Marco Manente
Ombudsman