

The complaint

Mr D is unhappy National Westminster Bank Plc (NatWest) closed his current account and loan without any notice. This led to both accounts being defaulted and this having a negative impact on his credit score.

What happened

On 11 February 2021 NatWest sent Mr D notification via text that his current account and loan would be closed.

Mr D says he attempted to contact NatWest to discuss this, but no one would tell him what was going on and just advised him to wait for a letter in the post. He received the letter explaining his facilities had been removed and his account would be closed within seven days. But by that point he'd been unable to access his account since 11 February, so he assumed his account had been closed on that date.

Mr D's credit report shows he was able to open another bank account. However, he's explained that without access to his account he wasn't easily able to find out information about his direct debits to ensure they were moved and paid correctly.

NatWest wrote to Mr D on 23 February 2021 explaining that the seven-day notice period had expired, and his accounts had now been closed. It explained that he would now need to repay the outstanding amounts on his accounts within 28 days or information may be reported to the credit reference agencies.

On the same date NatWest also sent a default notice for his loan and overdraft, explaining he would need to pay the full balances or risk information being reported to the credit reference agencies.

Mr D says he continued to try and contact NatWest explaining that he wanted to discuss the possibility of repaying his loan in instalments again, as even though he was still struggling financially due to the pandemic, things were improving so this would be possible. Mr D's representative has tried to obtain Mr D's phone records from the time but has been unable to get these.

Mr D has explained that because him and his wife are self-employed, they were hit hard by the Covid-19 pandemic and were struggling financially. So, in December 2020 Mr D was successfully granted a three-month payment holiday on his loan. Despite this, he says NatWest were sending him letters to say he had missed payments.

Overall, he says he found it difficult to speak to anyone at the bank as he kept being passed from department to department.

In April 2021 Mr D's accounts were passed to a debt collector who I shall refer to as W. It was at this point he spoke to someone about the money owed and came to an arrangement he could afford, paying £170 a month towards the loan and overdraft combined.

His loan was subsequently defaulted on 31 May 2021 and the overdraft on 30 June 2021.

Our investigator upheld the complaint. He explained that he wasn't satisfied NatWest had shown us it had the basis to close the loan account or close the current account without notice. He also didn't think NatWest should have recorded late payments against Mr D's loan whilst he was on a payment holiday. As a result, he recommended NatWest remove the default and late payment markers against the loan. However, he thought the default against the overdraft was correct as an overdraft is repayable on demand and Mr D couldn't afford to repay this. He recommended £200 for the trouble and upset caused by NatWest's failings. NatWest disagreed. It said it still believed it was correct to close the loan and current account immediately.

Mr D also disagreed. His representative has said Mr D isn't concerned with the compensation but thinks the overdraft default should be removed. He's explained that although Mr D received the letters about the overdraft being removed, they didn't include any way to actually make a payment. And he wasn't able to get through to NatWest when he tried to call. He's also said that although Mr D spoke with W, that was a very simple conversation about starting a repayment plan and no mention was made about paying the overdraft back in full. He's said that had Mr D known how to make the payment he would have tried to borrow the money from family or friends or applied for a loan elsewhere.

Because Mr D and NatWest have disagreed, the complaint has been passed to me decide.

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 has a wide range of legal and regulatory obligations it must meet when providing account services to its customers. These obligations are ongoing so don't just apply at account opening stage. To comply with these obligations, it may need to review accounts and the activity taking place on them. Sometimes these reviews will lead to the accounts being closed. If NatWest didn't do this, it could risk serious sanction.

However, if NatWest chooses to close an account it should be done in line with the terms and conditions. And having closely reviewed the information NatWest has provided, I'm not persuaded it has provided sufficient reasons or evidence to justify the immediate closure of the current account or closure of the loan in line with the terms and conditions.

Loan

The terms and conditions of Mr D's loan are clear in that it can only be closed early for a specific set of reasons. Having reviewed NatWest's reasons for closing the loan early, I'm not persuaded it had the basis to do so.

Mr D has provided evidence that he was on a three-month payment holiday beginning in December 2020. He was up to date with his payments at that point but was finding things difficult due to the pandemic. As per the email he received from NatWest confirming his payment holiday, he was due to be contacted by NatWest towards the end of the three months to discuss his options, with it being possible for his loan term to be extended. Had NatWest not incorrectly closed his loan, I would have expected this conversation to take place.

We will never know for sure what would have happened at that point but considering Mr D was not in arrears before his payment holiday commenced and was then able to agree a

£170 repayment plan in May 2021 – only £8.85 short of his contractual monthly repayments – it seems fair to conclude he may have been able to return to his contractual repayments and continue to pay his loan in line with the terms.

Given this, I'm satisfied on balance that Mr D's loan wouldn't have defaulted at that point. And given he's maintained his payments since, would have continued as normal.

I'm also satisfied adverse information shouldn't have been reported when Mr D was on his payment holiday between December 2020 and April 2021, in line with the Financial Conduct Authority's (FCA's) guidance released at the time.

Current account

I will start by explaining that whilst NatWest's notification of closure said it would close the account in seven days, I would still class this as an immediate closure. I say this because whilst the account may have remained open for seven days, Mr D wasn't able to use or access it during this time. And in any event, seven days' notice isn't in line with the notice period specified in the terms and conditions.

There are specific terms which allow NatWest to close a current account immediately. And, as with the loan, I'm not satisfied NatWest has provided enough information for me to conclude it had sufficient basis to do this in Mr D's case. So, compensation is warranted for the inconvenience caused by the immediate closure.

In relation to the overdraft, the terms and conditions state that Mr D's overdraft is repayable on demand, meaning he can be asked to repay it in full at any time. And this is regardless of whether the account is closed or not. NatWest was therefore entitled to recall the overdraft and hasn't made an error in doing so.

Mr D thinks NatWest should remove the default in relation to his overdraft. However, I can't agree.

In response to the investigators view, Mr D's rep said Mr D would have been able to repay the overdraft, but NatWest didn't properly inform him that he needed to repay it or a default would be registered. However, I'm satisfied Mr D knew about the removal of the overdraft and the consequences of not repaying it in full as he received several letters from NatWest detailing this.

I appreciate Mr D says he struggled to get in touch with NatWest to discuss repayment – for which I have given him the benefit of the doubt - and when speaking to W it wasn't made clear he'd need to pay the full amount of the overdraft. But as mentioned above, he had already received the letters detailing this so would have been aware of the consequences of not doing so.

But in any event, even if I was to conclude NatWest could have done more to notify Mr D of how to make the payment, I'm not satisfied he would have been able to repay his overdraft in full or offer enough to prevent a default.

Mr D has admitted that due to the pandemic he was in financial difficulties when his account was closed, so much so that he needed a payment holiday on his loan. And was then only able to agree to £170 a month to cover both the loan and overdraft debt in May 2021 when discussing this with W. So, whilst I've concluded he would have been able to afford his loan payments based on that figure, I'm not persuaded he would have been able to offer enough to clear the overdraft too. Mr D's representative has explained that Mr D may have been able to borrow money from friends and family to repay the overdraft, but I've not seen anything to

convince me this would have been possible. Nor can I be satisfied, given Mr D's financial situation at the time, he would have been able to successfully borrow money from another lender.

Given this, I think it's correct for the default to remain on Mr D's credit report.

Compensation

I agree with the investigator that Mr D should receive compensation for the impact NatWest's errors had on him.

Mr D's loan should not have been closed at all and this was understandably very stressful, especially as he couldn't get through to anyone at NatWest to discuss this with. Plus, he should have had notice of his current account closure to allow him more time to open an account elsewhere and get his affairs in order. As it was, I'm pleased to see he was able to open a new account, so this did limit the impact. But I still feel the £200 recommended by the investigator is fair.

When considering this figure, I've also thought about the impact the loan default had on Mr D's credit rating. But given I've concluded the overdraft default should remain; I'm satisfied his rating would always have been impacted.

Putting things right

NatWest should remove the default and late payment markers recorded against Mr D in relation to his loan and ensure no further adverse information is recorded should he maintain his current agreed repayments.

NatWest should pay Mr D £200 for the trouble and upset caused by closing his loan and not giving him notice of his current account closure.

My final decision

My final decision is that I partially uphold Mr D's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 22 February 2023.

Sarah Brimacombe
Ombudsman