

## The complaint

Mr U complains that National Westminster Bank Plc (“NatWest”) unfairly closed his account and recorded a default with credit reference agencies.

## What happened

Mr U had a credit card with NatWest. As a result of financial difficulties caused by Covid-19, he called NatWest in March 2021 to arrange a payment plan and it was agreed he’d pay £10 a month, for three months, with the first payment due on 3 April 2021. Mr U explained that he thought his situation would improve after these three months, so he didn’t need a longer plan.

Mr U made a payment on 3 April 2021 but it didn’t credit his account until 6 April 2021. As the payment was late, NatWest wrote to Mr U at the address it held for him. It explained that he should make the missed payment and that if he didn’t then his account would be closed and at risk of recovery action.

Mr U continued making payments in May and June 2021. But NatWest didn’t hear from Mr U in relation to the first payment or its letters and so it sent him a default notice in May 2021. This explained that it would be closing his account and taking other associated actions if he wasn’t able to pay what he owed. As there was no further communication from Mr U, NatWest eventually closed his account and recorded it as being in default with the credit reference agencies in June 2021.

Mr U only discovered this had happened in July 2021 and complained to NatWest. It didn’t think it had done anything wrong though. It said Mr U didn’t stick to the terms of the plan and so it was entitled to have taken the actions it did. Mr U brought his complaint to this service. During some initial discussions, NatWest still didn’t believe that it had done anything wrong – but offered £100 to settle the complaint. Mr U didn’t accept this.

So one of our investigators looked at this and said that they didn’t think NatWest had acted unfairly here. Mr U hadn’t stuck to the plan and they were satisfied that NatWest would have made information about the method of making payments available to him. Mr U disagreed and so the complaint was passed to me to decide.

I issued a provisional decision where my findings were as follows:

*Having looked at all the circumstances and evidence here – I can understand NatWest’s position. Technically speaking, it’s followed its processes and procedures here. Mr U’s payment reached his account after the date it was agreed he’d make it by as a part of the agreed plan. That’s not in dispute. But, my role is to consider what’s fair and reasonable in all of the circumstances of a complaint. Having done so, I think this is a situation where – even though NatWest may have followed its processes and procedures – it’s led to an unfair outcome in Mr U’s individual circumstances.*

*It’s unhelpful that NatWest can’t provide the call recording of when the plan was agreed. It’s provided the call script that it says the member of staff would have followed and we have*

*some brief notes on what was agreed. But what was agreed isn't in dispute, what matters here is the details of what Mr U was, or wasn't told. I note that the call script doesn't prompt a case handler to explain anything in particular in respect of the payment method Mr U wanted to use. It just explains that a member of staff should direct Mr U to the website where it says to allow 5 working days for payments to reach an account.*

*Mr U says he wasn't told about making his payment in this way, or to allow for the time NatWest recommends. Again, without the call – I can't know what was discussed here. Although this isn't necessarily crucial for me to decide this case. Instead, an important consideration here is that it's very clear that Mr U intended to, could and did make the payments NatWest wanted him to as a part of this plan. He's provided clear evidence of making the payments. Based on this, it seems like what happened here was a simple misunderstanding about his chosen method of payment and what that would practically mean here. Mr U simply instructed his payments on the dates NatWest wanted them to be made by.*

*So I accept that, strictly speaking, Mr U didn't make payments in line with the plan. But with that in mind, I've also considered whether it's fair and reasonable that, as a result of such a simple misunderstanding, Mr U has now had his account closed and a default recorded on his credit file for the next six years. I don't think it is. He clearly intended to make these payments and could make them. His only mistake was that he didn't strictly do so by the dates NatWest agreed with him. But, to Mr U – he had done what was required of him, even if he had perhaps misunderstood the situation around this. But that seems to be a genuine misunderstanding.*

*I've also thought about the impact this has had and will continue to have on Mr U. A default on his credit file would show other lenders that he couldn't maintain this account and that he missed payments. But that's not quite a full, or accurate picture of the situation. Mr U did make the payments, albeit later than NatWest wanted. He also says that, had the plan run its course, he could have brought the account back in order. So it feels unfair that due to such a small misunderstanding, Mr U will be disadvantaged in such a serious and lasting way.*

*There are a number of factors I've considered in reaching the findings I have here. The content of the script and the warning on NatWest's website for example, along with the fact that NatWest sent Mr U a number of letters explaining the situation. Mr U has said he didn't receive these – which may not be down to NatWest. It could be problems with the post for example. But what I have considered is that if he had received these, I think it's very likely he would have taken action. It's clear how important this is to him. I say that because when he eventually contacted NatWest in July, it was in line with him thinking that the plan had been running as intended and that he was looking for a way forward with it on that basis.*

*So, at this stage – having considered all the circumstances here – I'm currently minded to say that it'd be fair and reasonable for NatWest to remove the default from Mr U's credit file, bring the account back from the third party it has passed, or sold, this to and work with Mr U to set up an agreeable way forward. Mr U has confirmed that he is now able to make payments to the account in a way that should mean that he can avoid a default moving forward.*

*NatWest has offered £100 as a gesture of goodwill to try and resolve this complaint. I see no reason to say that it shouldn't still pay this given the circumstances here. I think NatWest could have thought more about the situation when Mr U told it about what had happened and provided his evidence of payments. That could have meant less frustration and inconvenience in having to deal with this situation – which £100 is fair to recognise.*

Mr U responded to say he agreed, although he raised a new issue which our investigator explained would have to be dealt with separately.

NatWest responded to say that it didn't default the account because a single payment was late by three days. Instead, it was because he would have missed three months of payments and also not acted on the letters it sent advising him of the consequences of missing his payments. These letters were sent and NatWest also said that Mr U chose to pay in the way he did and that the consequences of this would have been read to him, but he didn't leave enough time to make his first payment. So I now have to reach a final decision on this complaint.

### **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.

I've considered what NatWest has said in relation to the outcome I suggested in my provisional decision – but that hasn't changed my mind on what's fair here. I am aware that NatWest didn't just default Mr U because he missed one payment. But, the default and related actions NatWest took nonetheless stemmed from a payment being made a few days late. As I said in my provisional decision, I'm satisfied that this late payment was the result of a genuine misunderstanding and that Mr U's actions (or lack of) after this were too.

I've acknowledged the letters that NatWest sent to Mr U explaining what the situation was with his account. As I said in my provisional decision – it's not clear why Mr U didn't get these but I'm persuaded that had he done so, that he would have taken action to rectify the situation if he had the chance. NatWest has said that Mr U would have clearly been advised of the need to make payments on time – although that's not specifically explained within the script that NatWest provided.

So I acknowledge NatWest's points that Mr U made his payment late and that NatWest sent him letters around this. But I still think that Mr U has ended up in an unfair situation where he is being disproportionately affected by what is more likely than not a genuine misunderstanding. In the individual circumstances here, I think what I suggested in my provisional decision remains the fair and reasonable way of resolving this complaint – so it's this that NatWest should now do.

### **My final decision**

I uphold this complaint. National Westminster Bank Plc must:

- remove the default recorded in relation to this account and record there being an arrangement to pay between April 2021 to June 2021, and;
- bring, or buy, back the debt from any third party it is currently with and agree a mutually acceptable way forward with Mr U in relation to payments, and;
- pay Mr U £100 for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 3 March 2023.

James Staples  
**Ombudsman**

