

The complaint

Mr O complains National Westminster Bank Plc (“NatWest”) closed his accounts without explanation. Mr O also complains NatWest failed to properly support him in paying off his overdraft debt and registered a default against him.

Mr O wants compensation for the distress and inconvenience he’s suffered, and the default removed by NatWest.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In October 2019, following an internal review, NatWest informed Mr O that it was closing his accounts with immediate effect, and he would need to repay any debts, including overdrafts, in 30 days’.

In November 2019, as Mr O had not paid off his overdraft, NatWest passed his accounts to its recoveries department. This was then being managed by an agency for NatWest – to keep matters simple, I’ll refer to them as ‘M’ in the rest of my decision. As the overdraft wasn’t paid by February 2020, NatWest recorded a default record against Mr O with credit reference agencies. Later, Mr O’s debts were passed to a third-party company.

Unhappy with NatWest, Mr O complained. In its final response, NatWest didn’t uphold Mr O’s complaint points about the default being added to his credit file; an explanation not being given about the account closure; and a branch staff member not assisting him with a payment plan.

NatWest upheld Mr O’s complaint points about the service he received when calling it and about the call wait times. NatWest apologised for this, and for one of its agents hanging up on him. Some of the key points NatWest made were:

- NatWest has closed Mr O’s account in line with its terms and conditions, and an exact reason will not be given
- Due to the nature of the closure NatWest is in no position to offer any type of repayment plan to Mr O. That is why a branch member was unable to help Mr O and why he was advised he’d need to make repayment in a single payment
- As the closure has been carried out in line with the terms and conditions of the account, NatWest will not be removing any registration markers added due to suspected fraudulent activity

Mr O then referred his complaint to this service. One of our Investigator’s looked into it, and in summary, they found:

- NatWest closed Mr O's accounts in line with its terms and did so fairly. NatWest isn't obliged to give Mr O a reason for its actions
- Mr O's overdraft was repayable upon demand in line with the terms and conditions of the accounts. Mr O failed to pay his debt when it was being managed by its recoveries team and M.

NatWest has acted fairly by registering the default against Mr O. He failed to make repayments when the debt was being managed by M. And in September 2020, when it was passed to a third-party, Mr O agreed an arrangement to pay £10 a month. Because of this Mr O wouldn't have paid the debt off in reasonable time due to his circumstances. NatWest also actively engaged with Mr O about the repayment of the debt and the setting up of a plan

- Mr O has also complained about the service he received when he contacted NatWest to discuss a repayment plan and the call waiting times he experienced. NatWest upheld this part of Mr O's complaint and apologised. This is a fair outcome for this aspect of the complaint

Mr O didn't agree with what our Investigator said. Some of the key points he made were:

- NatWest didn't actively communicate with him about the overdraft. NatWest's agent was disrespectful towards him and cut the call off
- NatWest willingly destroyed his credit and made no active approach to help him pay off his overdraft debt by setting up a plan. Instead it only wanted a one-off payment. Mr O questions how he would have had the means to pay off the debt in one payment given he was a student at the time

Our Investigator looked into what Mr O said but it didn't change their mind. Some of the key points they made in response were:

- The overdraft facility was payable upon demand as per clause 10.1 of Mr O's account terms and conditions. So NatWest acted in line with these by asking for payment on demand
- NatWest wrote to Mr O in October 2019 telling him it was closing his accounts in seven days. Another letter was sent on 31 October 2019 allowing Mr O a further 30 days to clear his overdraft debt. In January 2020, Mr O contacted M and said he was unable to clear the debt immediately – and he registered a complaint through M about NatWest's actions.

Mr O didn't make any repayment arrangement with M, so a default was registered against Mr O by NatWest.

As there is no agreement, this complaint has been passed to me to 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.

Having done so I've decided not to uphold this complaint. I'll explain why.

Account review and closures

Banks in the UK, like NatWest, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

NatWest is entitled to close an account just as a customer may close an account with it. But before NatWest closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the accounts, which NatWest and Mr O had to comply with, say that it could close the accounts by giving him at least 60 days' notice. And in certain circumstances it can close an account immediately or with less notice.

NatWest closed Mr O's account by giving seven days' notice. NatWest has sent me some information and its explanation as to why it closed Mr O's accounts in the way it did. Having carefully considered this, I'm persuaded NatWest had concern enough to act in this way. So I'm persuaded it has acted in line with its terms of account, and that its decision was fair.

I can understand why Mr O wants a detailed explanation, but NatWest is under no obligation to do so. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information NatWest has provided is information we consider should be kept confidential.

Repayment of the overdraft and registration of default

Section 10 of the account terms and conditions say:

"Your arranged overdraft is not for a fixed period of time, however it's repayable on demand. This means that we can ask you to repay the full amount at any time. We may also decide to reduce your arranged overdraft limit or end your overdraft agreement. We'll only take these steps if we have a valid reason (for example, we reasonably believe that you can't afford your arranged overdraft).

Before we demand repayment, reduce your arranged overdraft limit or end your agreement, we'll usually give you at least 30 days' notice, unless:

- *you've broken any term of the agreement between you and us in a serious way:*
- *we reasonably suspect that your account has been used fraudulently or for illegal purposes: or*
- *we reasonably believe that you can't afford your arranged overdraft, in which case we may take these actions immediately"*

Given the concerns NatWest had, and given what the above terms say, I'm satisfied that NatWest acted fairly in demanding the overdraft be paid and permitting Mr O thirty days to pay it. So I don't think NatWest did anything wrong here. I'm also satisfied that NatWest communicated clearly enough with Mr O about what he needed to do. I say that because I note Mr O knew he was being asked to pay the debt off in one payment and that his accounts were being closed.

It follows then that as Mr O didn't pay off the overdraft a default was recorded against him by NatWest as an accurate position of his account status.

Mr O argues that he wasn't able to make a payment arrangement with NatWest nor M. But the contact notes with M show Mr O expressed his dissatisfaction about the account

closures with them – and didn't mention paying through a repayment plan. Mr O did reach a repayment agreement with the third-party company in September 2020 for £10 a month. But given Mr O's outstanding debt was just under £2,000, I can't see how reaching a repayment arrangement earlier and avoiding a default would have made a significant difference.

I accept a default is a more adverse type of marker, but for the time a repayment arrangement for a debt was in place, this would also show us an adverse marker on Mr O's credit file.

Having said this, and as I said earlier, NatWest didn't do anything wrong in asking for the debt on demand and by giving Mr O 30 days to pay it off in one sum. I note he couldn't do this given his circumstances at the time and that is unfortunate. But I won't be asking NatWest to remove the default marker.

NatWest accept its call waiting times at the time Mr O was put on notice were too long and he did experience some poor customer service. NatWest has apologised for this - I don't think it needs to do any more.

Mr O says NatWest's actions have caused him distress and inconvenience. But having looked at what's happened in this particular case, I can see no basis on which I might make an award against NatWest given I don't think it's done anything wrong in closing the accounts in the way it did and registering a default against Mr O.

My final decision

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 June 2024.

Ketan Nagla
Ombudsman