

The complaint

Mr K complains that National Westminster Bank UK Plc (“NatWest”) transferred his loan to a debt collection agency even though he’d made his repayment.

What happened

Mr K says that when he missed a monthly repayment on his loan NatWest added charges to his account. He said that even though he paid enough to cover his loan repayment, NatWest said it wasn’t enough and returned the payment. Mr K says his loan was then transferred to a debt collection agency and it’s now affecting his credit file.

NatWest says it put Mr K’s account on hold for 48 hours on 17 November 2021 to enable him to complete an income and expenditure form. It says Mr K was then asked to make contact to agree a suitable repayment plan, but he did not do so. NatWest says Mr K’s account remained in arrears due to missed payments in July 2021 and October 2021 and so it was passed to the Recoveries department. It says this resulted in the account being outsourced to a debt collection agency and a default being applied to Mr K’s credit file.

Our investigator did not recommend the complaint should be upheld. She did not find any evidence that NatWest had returned a payment and, given the arrears on the account, she was satisfied that NatWest was within its rights to follow its process and transfer the account to a third party.

Mr K responded to say, in summary, that funds were available for the October 2021 payment and the arrears occurred due to his unemployment during lockdown. He says the figure NatWest had for his disposable income was incorrect and questioned why it took a payment in December 2021 if the account was being closed and transferred to a third party.

Provisional findings

I issued a provisional decision to Mr K and to NatWest on 4 May 2023. I’ve summarised my findings below:

- I found that when NatWest sent its pre-default letter on 28 October 2021, this was due to the missed payment that day, and the previous missed payment in July 2021;
- However, I was satisfied that Mr K attempted to pay the July 2021 instalment but that it was returned by NatWest because it came from his business account, rather than his personal one;
- Mr K went on to make the contractual payments in November 2021 and December 2021;

- I considered it was unreasonable for NatWest to continue to follow its default process which resulted in the account being passed to a debt collection agency and being defaulted on 31 January 2022.

In summary, my provisional decision was that I found the default was applied to Mr K's account prematurely and should be removed.

NatWest responded to accept my provisional decision.

Mr K did not respond to the provisional decision.

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.

As NatWest accepted my provisional decision and neither party provided any additional information, I see no reason to depart from it.

My final decision

My decision is that I uphold this complaint. National Westminster Bank UK Plc should:

- Remove the default from Mr K's credit file;
- Take back ownership of the loan account from the debt collection agency;
- Refund any charges that may have been applied as a result of the default;
- Attempt to agree a mutually acceptable repayment plan with Mr K for the outstanding balance.

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

Amanda Williams
Ombudsman