

The complaint

Mr B complains Nationwide Building Society (Nationwide) unfairly defaulted his loan account.

What happened

Mr B says Nationwide issued a default notice on his loan account in February 2022, despite him requesting a change in his monthly payment date to coincide with his salary date. Additionally, Mr B says Nationwide showed no empathy for his personal situation which had meant he was overseas with a family bereavement and work commitments and wouldn't have received any written notices of arrears. Mr B feels Nationwide have acted harshly by defaulting his loan and marking his credit file which will affect his credit worthiness for six years.

Mr B wants Nationwide to apologise for the poor service and to remove the default on his credit file and return the debt back from the debt collection agents and agree to the new monthly payment date over its remaining term.

Nationwide says it has followed the correct procedures in defaulting the loan and passing the debt to the collection agents. Nationwide says when it issued the default notice Mr B was two months in arrears and it was passed to debt collection agents as it no longer deals with collections in house. Nationwide says it attempted to contact Mr B by phone to make him aware of the arrears position. Nationwide also says it has no record of his request to amend the payment date to his loan account.

The investigator looked at all the available information but didn't uphold the complaint. The investigator felt Mr B had missed several payments to the loan account, following a rewrite in October 2020 and missed a monthly repayment in November 2021. The investigator says Nationwide sent communications regarding the arrears on the loan and despite Mr B being out of the country, it was his responsibility to make sure his loan repayments were made on time. The investigator felt Nationwide had acted fairly when defaulting Mr B's loan account.

Mr B didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

I've considered all of the evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have come to a different outcome to that of the investigator and I will explain how I have come to my decision.

I can understand it would have been upsetting for Mr B to have received a default notice on his loan account when he believed he had made attempts to meet his monthly loan payments.

When looking at this complaint I will consider if Nationwide acted reasonably when it defaulted Mr B's loan account when it did.

Nationwide's position here is that Mr B was two months in arrears when it issued the default notice to Mr B in February 2022 and that it had issued the correct notice of arrears previously to him. Additionally, Nationwide says Mr B had been late with other payments prior to the default being issued. Nationwide says it was correct to issue the default in writing to Mr B and it had tried other means to contact him. Nationwide says Mr B had been made aware of the arrears position and suggests it was Mr B's responsibility to maintain his contractual monthly payments (CMP), even when he was overseas.

The first thing to say here is that Nationwide are correct in saying it did issue the arrears and default notices in writing and that is what I would expect to see here, and it can't be held responsible for the fact Mr B was not available to receive such notices. It's also reasonable to say that Mr B remains responsible for ensuring his CMP are met.

Having said that there are some concerns I have over the timing and reasons why Mr B's loan was defaulted when it was. It's important to say that issuing a default notice and the consequences of this being marked on a credit file has long term financial implications for consumers, so I would expect lenders to ensure that consumers personal financial circumstances are fully considered, and they are given sufficient opportunity to put matters right – here I'm not fully persuaded Nationwide did.

I say this because firstly when Mr B's loan was re-written in October 2020, following a Covid payment holiday, he was making the CMP on the fifteenth of every month. Following this the loan seems to have been rescheduled with the CMP on the first of every month. It's from here or shortly after the problems begin and there are a number of occasions where the CMP were made late. From the information I have seen, from October 2020 to February 2022 while some payments were late, Mr B had only actually missed making November 2021's CMP. What happened here was a default notice was issued on 2 February 2022 having missed the payment due on the first of that month, but Mr B made this up by making the payment on the 15 February 2022.

While technically Mr B was two months in arrears at that time, it followed a similar pattern before and importantly here Mr B telephoned Nationwide that month asking for them to change the payment date. Nationwide seemingly weren't prepared to do this until Mr B made up his arrears position, however, this refusal led to Nationwide registering a default on Mr B's credit file the following month, at which time Mr B had only actually missed one monthly payment in November 2021.

As I have previously said issuing a default on a consumer's credit file will have detrimental financial implications for six years and considering the individual circumstances here, I am not persuaded that was the correct course of action to take. It was clear Mr B was looking for support mainly over the timing of the payments and while Nationwide felt he should bring his arrears up to date first, that has led to the defaulting of the loan. In normal circumstances I wouldn't expect to see a default issued and registered until 3- 6 monthly payments had been missed, so I feel Nationwide have acted a little too quickly here. Afterall, apart from one monthly payment being missed, Mr B had been making monthly payments, albeit on some occasions later than the due date, I am satisfied that in itself shouldn't be a reason to default the loan here.

With that in mind, I propose Nationwide should remove the default from Mr B's credit file, take back the loan from the debt collection agency and hold a discussion with Mr B to set up an affordable payment plan, with a mutually agreed payment date.

While Nationwide will be disappointed with my decision, I am satisfied this is a fair outcome here.

Both Mr B and Nationwide responded to my provisional decision, so the case has been passed back to me to make a final 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.

I gave both Mr B and Nationwide until 29 June 2023 to accept or reject my provisional decision.

Both Mr B and Nationwide have accepted my provisional decision, so I see no need to change or add to my provisional decision and so my final decision remains the same.

Putting things right

I instruct Nationwide Building Society to remove the default from Mr B's credit file, take back the loan from the debt collection agency and hold a discussion with Mr B to set up an affordable payment plan, with a mutually agreed payment date.

My final decision

My final decision is that I uphold this complaint.

I instruct Nationwide Building Society to remove the default from Mr B's credit file, take back the loan from the debt collection agency and hold a discussion with Mr B to set up an affordable payment plan, with a mutually agreed payment date.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 July 2023.

Barry White
Ombudsman