

The complaint

Mr M is unhappy with several aspects of the service he's received from Nationwide Building Society, including that they charged interest on his accounts after he'd made them aware that he was experiencing financial difficulty.

What happened

Mr M had a current account and a credit account with Nationwide. In 2020, Mr M contacted Nationwide and explained that he was experiencing financial difficulty and would struggle to make the payments required on his Nationwide accounts. At that time, Mr M's current account had an overdraft limit of £1,000, while his credit account had a credit limit of £7,000 – both of which Mr M was often close to exceeding.

Mr M wanted Nationwide to stop charging interest on his accounts, given his situation. But Nationwide explained this wouldn't be something they could consider until Mr M completed a form detailing his monthly income and expenditure so that they had a better understanding of his financial position. However, despite Mr M chasing Nationwide about the matter, he never received an income and expenditure form from them which he could complete and return.

Mr M was also unhappy that Nationwide continued to chase him for monthly payments on his accounts, despite him informing them of his financial difficulty. When Mr M spoke with Nationwide about this, he was told that he would be given one month's 'breathing space', which Mr M believed meant that no payments would be taken that month. But Nationwide did then take a payment by direct debit for his credit account. Mr M wasn't happy about this, or that Nationwide didn't then reimburse the payment to him as quickly as they'd promised to. So, he raised a complaint.

Nationwide responded to Mr M and explained that the breathing space only meant that Mr M wouldn't be contacted by Nationwide during that month and didn't mean that payments due on his accounts wouldn't be applied for. Nationwide also didn't feel that they'd acted unfairly by applying interest to Mr M's accounts in line with the terms of the accounts as they had.

However, Nationwide did acknowledge that they didn't send an income and expenditure form or reimburse the taken direct debit payment back to Mr M as quickly as they should have done, and they apologised to Mr M for this and made a payment of £75 to him as compensation for any trouble or upset that he may have incurred. Mr M wasn't satisfied with Nationwide's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They felt that Nationwide hadn't acted unfairly by charging the interest to Mr M's accounts or by taking the direct debit payment as they had. But they did feel that by failing to return the taken direct debit to Mr M or provide an income and expenditure form to Mr M in the timeframes they'd promised, Nationwide had caused Mr M a degree of upset and inconvenience that their payment of £75 didn't fairly compensate him for.

Because of this, our investigator recommended that Nationwide should make a further payment of £225 to Mr M, taking the total amount of compensation to £300, which they felt

did provide fair compensation to Mr M for what had happened. Mr M remained dissatisfied, so the matter was escalated to an ombudsman for 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 issued a provisional decision on this complaint on 23 May 2023 as follows:

I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. This means that it isn't within my remit here to declare that Nationwide have acted in a non-regulatory or unlawful way. Such declarations would be for a regulatory body or a Court of Law to potentially make.

Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the circumstances and factors of a complaint into consideration.

I also note that Mr M has provided several detailed submissions to this service regarding his complaint. I'd like to thank Mr M for these submissions, and I hope he doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in-line with this service's role as an informal dispute resolution service.

This means that if Mr M notes that I haven't addressed a specific point he's raised, it shouldn't be taken from this that I haven't considered that point – I can confirm that I've read and considered all the submissions provided by both Mr M and Nationwide. Rather, it should be taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

One of Mr M's complaints is that Nationwide wouldn't stop charging interest on his accounts even after he'd explained to them that he was experiencing financial difficulty. But it isn't always the case that a credit provider such as Nationwide would be expected to stop charging interest on an account under such circumstances.

A credit agreement – such as an agreed overdraft or a credit account – includes that interest will be charged on any credit balance. And while a credit provider such as Nationwide can choose to stop charging interest on an account for a short period if its account holder is experiencing financial difficulty, this would generally only be when the financial difficulty which the account holder is experiencing is projected to be short lived – such that the account holder will be able to recover their financial position and resume normal payments on the account in a timely manner. Importantly, it isn't the case that a credit provider would be expected to stop charging interest on an account indefinitely because its account holder can no longer afford the payments required on that account.

In this instance, having considered Mr M's personal and financial circumstances as he's explained them, it doesn't seem that Mr M would, in all likelihood, have been able to recover his financial position in a short amount of time. Instead, I feel it's more likely, given the severity of Mr M's financial difficulties, that he wouldn't have been able to have made the payments required on his Nationwide accounts for some time.

And so, I'm not convinced that Nationwide would or reasonably should have acted to stop charging interest on Mr M's accounts – even if they'd sent an income and expenditure form to Mr M in a timely manner and received the completed form back from him.

Of course, in the circumstances I describe – where an account holder can no longer afford to make the payments towards their account and where a temporary stopping of interest isn't deemed to be appropriate – this means that it's highly likely that the account holders accounts will fall into arrears.

But it isn't the case that the account holder is expected to continue to fall further into arrears indefinitely. Instead, after an account had been in a position of arrears for some time – during which time the account holder still has the opportunity to recover the position of the account, if possible – it's expected that the credit provider would begin the process of defaulting the account. And the act of defaulting an account includes that no further interest will accrue on that account, so that the account holder doesn't fall any further into debt after the point of default. And this is what Nationwide did in this instance.

I realise that Mr M would have preferred to have not had his accounts defaulted by Nationwide. But ultimately, Mr M couldn't meet the payments that were contractually required of him on his accounts. And so, it seems fair to me that his accounts would be defaulted. And, to reiterate what I explained above, it isn't the case that a credit provider is expected to indefinitely stop charging interest on a credit balance if an account holder informs them that they can no longer afford to make the payments required on the account.

All of which means that I'm satisfied that Nationwide haven't acted unfairly towards Mr M by continuing to charge interest on his account as they did. And I also don't feel that Mr M incurred any different outcome to that which he likely would and should have incurred as a result of Nationwide not providing an income and expenditure form to him when they first should have done.

Additionally, I've reviewed the 'breathing space' letter than Nationwide provided to Mr M, and I'm satisfied that there isn't anything within that letter which states that Nationwide won't continue to apply for the monthly payments that would become due on the credit account. Indeed, the letter specifically states: "During the period of breathing space interest and charges will continue to be applied to your account", and: "We need to let Credit Reference Agencies know if you miss a payment", which I feel confirms that payments would still be applied for during the breathing space period.

Mr M is also unhappy that Nationwide, having taken a payment which he wasn't expecting to be taken during the breathing space period, didn't then reimburse that taken payment to him as quickly as they promised that they would.

Nationwide have accepted that they didn't begin the process to return the payment to Mr M's account when they first should have done, and they've apologised to Mr M for this and made a payment to him of £75 as compensation for any trouble and upset that Mr M may have incurred. This seems reasonable to me, and while I can appreciate that Mr M found himself in a difficult financial position because he wasn't expecting the payment to be taken, I don't think that Nationwide acted unfairly by taking the payment – as explained above – and I feel that £75 is a fair amount of compensation for the delay in the correctly taken payment being reimbursed back to Mr M at his request.

Finally, I've considered whether Nationwide could have better and more clearly communicated with Mr M, specifically about the nature of the breathing space hold and the options that may and may not have been available to him regarding his request for financial assistance.

Unfortunately, matters are complicated here by several recorded phone calls which I've listened to in which Mr M is rude and aggressive towards Nationwide's staff and which led to Nationwide making the decision to no longer offer banking services to Mr M and to close his accounts – a decision I'm satisfied that it was fair and reasonable for Nationwide to make. Considering these calls, I'm not convinced that Nationwide would have been able to communicate with Mr M more effectively had they attempted to do so, given that it's unlikely Mr M would have been happy with what Nationwide may have attempted to tell him.

In summary, I'm satisfied that Nationwide didn't act unfairly in continuing to charge interest on Mr M's account as they did, and that Mr M hasn't likely incurred any detriment or different outcome as a result of his not receiving an income and expenditure form from Nationwide when he should have done.

I'm also satisfied that Nationwide didn't act unfairly towards Mr M by taking the direct debit payment about which Mr M complained and didn't indicate to Mr M that they wouldn't take that payment. Finally, I feel that the apology and the £75 that Nationwide have paid to Mr M for not processing the return of the taken payment as quickly as they should have done already represents a fair resolution to that aspect of Mr M's complaint.

All of which means that I feel that Nationwide have already issued a fair response to Mr M's complaint, and so my provisional decision here will be that I won't be upholding this complaint or instructing Nationwide to take any further action.

Mr M has expressed his disagreement with my provisional decision letter. However, I don't feel that Mr M has provided any new information that I haven't already considered or addressed in my provisional decision. As such, I continue to feel that the findings and outcome I outlined in my provisional decision is a fair resolution to this complaint.

It therefore follows that my final decision here will be that I won't be upholding this complaint. I realise this won't be the outcome Mr M was wanting, but I hope he'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 July 2023.

Paul Cooper
Ombudsman