

## **The complaint**

Mr J and Mr J complain National Westminster Bank Plc (“NatWest”) closed their account without notice or explanation. And that NatWest didn’t explain they needed to pay off their overdraft which has now been unfairly recorded as a default against them.

To keep things simple, I will refer to the father as Mr J and his son as Mr J2 going ahead.

## **What happened**

In January 2020, following a review, NatWest sent a notification letter that it was closing Mr J and Mr J2’s joint account in 60 days. Mr J had added his son to the account - of which he was previously the sole account holder - around September 2019 following an application.

As it had not heard from Mr J or Mr J2, and as there was an outstanding overdraft of around £3,000 on the account, NatWest passed the debt to its recoveries department in April 2020. And later to NatWest’s recoveries department in June 2020.

In late June or early July 2020, NatWest passed the debt to a third-party debt management company (“DM”) – who were authorised to act on behalf of NatWest - as it still had not heard from Mr J and/or Mr J2. As Mr J and Mr J2 didn’t pay off the overdraft, NatWest reported the status of the account as a default to the credit reporting agencies.

When the DM contacted Mr J, he explained he knew nothing about having to pay the overdraft and that he was in arrears. At that point, Mr J made a payment to settle the account after asking the DM what he needed to do. Mr J paid roughly half of the outstanding overdraft amount.

Mr J says he later tried to re-mortgage one of his properties but was declined as he had poor credit. Mr J says he looked into this and realised he had had a default registered against him by NatWest for the overdraft on his current account.

Unhappy with what had happened Mr J complained to NatWest. Mr J and Mr J2 have raised a variety of complaint points with NatWest which has led to them receiving around three responses. In summary, some of the key points NatWest have made access its various responses are:

### 6 August 2020 response

- NatWest’s records confirm the account was transferred to its recoveries department, and a letter was sent making Mr J aware of this decision including a 60-day closure letter
- It was sorry a letter had not been sent by the DM to both Mr J and Mr J2 at the same time

- NatWest can't remove Mr J2's address details from its records unless he contacts it to do so

#### 4 October 2020 response

- A commercial decision was made by NatWest to stop offering Mr J banking facilities. A 60-day closure letter was sent on 30 January 2020 about this, and the letter made Mr J aware of the consequences if the outstanding debt wasn't paid on time. This included the transfer of the debt to its recoveries department and the impact it would have on his credit file
- The account was passed to the recoveries department on 3 April 2020
- NatWest is obliged to report the correct status of the account to the Credit Reference Agencies. As the outstanding balance wasn't repaid, and the account transferred to the recoveries department correctly, it can't remove the default

#### 17 December 2021 response

- On 2 April 2020 an exit letter was issued to Mr J as 60 days had passed, and as there was no contact from Mr J and the outstanding amount on the account had not been paid, the account was transferred to the recoveries team
- The account has been closed correctly and NatWest can't give the precise reason behind this
- It is not the responsibility of NatWest to attempt a repayment arrangement with Mr J and Mr J2 when the account is due to be closed. They were made aware repayment of the full overdraft was to be paid prior to the closure process of their account and so NatWest cannot be held accountable for no repayment arrangements being made. Mr J and Mr J2 were also aware of the consequences if the debt was not paid within the 60 days
- Therefore, due to NatWest's decision to close Mr J and Mr J2's account, the recovery process continued with their account being transferred to DM on 2 July 2020 to recover the debt owed. The process has been followed correctly by the NatWest in line with the Terms and Conditions as the debt was not repaid within the 60 days as requested

Unhappy with what NatWest said, Mr J and Mr J2 referred their complaint to this service. One of our adjudicator's then looked into the complaint. In summary they found:

- NatWest is under no obligation to continue offering an account to a customer if it doesn't want to do so. So this is a commercial decision it is entitled to take, if reasonable notice has been given
- Having looked at the terms of the account, NatWest gave Mr J and Mr J2 60 days' notice to close the account, so it hasn't treated them unfairly
- NatWest is under no obligation to share its reason for closing the account
- NatWest acted in line with the terms and conditions of the account in relation to the debt being passed to the DM and registering a default. The default was applied correctly as the outstanding debt wasn't paid within the time frame

- They checked the email address on file which matched that which NatWest had. So its likely Mr J and Mr J2 would've received correspondence and were advised of the consequences of not paying the debt in time

Mr J and Mr J2 did not agree with what our adjudicator said. In short, they've said:

- Mr J updated NatWest of his email a long time after the default was registered
- Mr J didn't receive any correspondence of any kind from NatWest nor any information about the consequences of not paying the outstanding overdraft, and the only time he did was from the DM – which he responded to immediately
- NatWest had a moral obligation to contact him about the account closure and repayment of the overdraft which it didn't do
- This all happened at the start of the pandemic when you couldn't go into a branch and had to spend hours trying to speak to someone on the phone

As Mr J and Mr J2 didn't agree, their complaint was passed to me to decide. I then sent my provisional decision to both parties. Here is what I said:

#### Provisional decision

*"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'm planning on upholding this complaint. I'll explain why.*

*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 NatWest needs to restrict, or in some cases go as far as closing, customers' accounts.*

*NatWest does not need to explain its reasons to Mr J and Mr J2 for reviewing, restricting, and closing an account. But it does need to explain to this service what those reasons are and give us enough evidence so that we can determine it has acted in line with its legal and regulatory obligations and acted properly when taking such measures.*

*NatWest have not provided enough information for me to fairly decide that it had reason enough to close Mr J and Mr J2's account in the way that it did. Because of that I must find that it acted unfairly when deciding to close the account albeit with 60 days' notice.*

*This brings me onto the crux of Mr J and Mr J2's complaint, that is, Mr J didn't receive any communication about his account closure and the requirement to pay off his overdraft to avoid his credit file being adversely affected.*

*For much of the time this complaint has been with this service NatWest have maintained that a notice to close the account letter, which contained information relating to the consequences of not paying off the overdraft, were sent to Mr J. More recently it has been able to send me a copy of this letter which I note has been sent to Mr J2's address but made out to Mr J.*

*Mr J has a separate address to Mr J2 and has lived at that address for quite some time. He also tells us that Mr J2, his son, hasn't lived with him for around 12 years.*

*In one of its own submissions to this service, NatWest have said this type of letter is issued to each account holder. So on a joint account, both parties would receive a letter. But later it has said it only sent this to Mr J2's address. NatWest has explained it probably did this because Mr J2 ticked a box on his account application in 2019 – when being added to Mr J's account - to say he lived with parents.*

*On the same application form Mr J2 has put down a different address to that of Mr J. Having given this some thought, I'm persuaded this isn't good practice, nor does it sound like NatWest followed its own procedure as it had said letters are sent to each account holder. NatWest say because Mr J2 said he was living with parents they sent the notice of closure letter to his address. But it's possible Mr J2 could be living with another of his parents.*

*Mr J was effectively the principal account holder as he had held the account in his sole name for quite some time beforehand. He also explains he added his son, Mr J2, only because he needed a bank account for his income to be paid in. Mr J has also explained his son didn't really need to use the account in the end, and any letter he may have received for Mr J, were sometimes handed over to him but not always by Mr J2.*

*So, after weighing this up, I don't think NatWest acted properly here, or in line with its own procedures by not sending Mr J the letter to his correct address. This is exacerbated by Mr J effectively being the principal account holder, and long-standing customer of NatWest.*

*As NatWest have not shown it closed the account fairly, I would in these circumstances expect it to put things right by putting Mr J and Mr J2 back in the position they were in before the error. So that would mean their account should not have been closed, meaning the overdraft would not have had to have been paid off. This also means no recoveries process would have been initiated by NatWest.*

*I'm also minded to say that even if NatWest had given me enough information to show it was justified in closing Mr J and J2's account in this way, it failed to properly notify Mr J of its actions and the consequences as it didn't send him any notice of this.*

*Unfortunately, NatWest doesn't have copies of any subsequent letters it sent Mr J or Mr J2 before moving the account recovery to a DM. But based on what I've seen, I'm persuaded that if it did, it most likely sent the letters solely to Mr J2's address. Because of that I find Mr J's testimony more plausible in that he didn't know about the closure or the requirement to pay off the overdraft until the DM contacted him much later in 2020 at which point, unbeknown to him, NatWest had registered the default.*

*Mr J has also sent us screenshots of his other creditors, including a NatWest credit card, which shows he's maintained regular payments to maintain a good credit profile. So taken together, I'm persuaded that had Mr J been made aware of the closure and requirement to pay off his overdraft in the timeline given, it's most likely he would have done so.*

*NatWest may argue that when Mr J did discover he owed this debt from the DM, he settled it by paying off roughly half of what was outstanding. And so, it's likely the default would have stood in any case. I've already said that none of this would have happened as I don't have enough information to conclude NatWest acted properly when closing the account. But Mr J has also said that when approached by the DM he asked them what he needed to do to settle the debt and they said he needs to pay the amount he did. So that is what he did. I think this is a reasonable action – especially as it appears he didn't know about the default at that stage.*

*So I'm persuaded NatWest should remove the default and any adverse credit records for the bank account against Mr J and Mr J2's credit file. But in saying so, I'm mindful Mr J and*

*Mr J2 didn't pay off the full outstanding amount. So I think Mr J and Mr J2 should pay the remaining debt before NatWest takes steps to remove the adverse credit information recorded against them.*

*Mr J and Mr J2 have said this matter has caused them substantive distress and inconvenience. Mr J says this has prevented him from being able to re-mortgage his other properties and get better interest rates, and it also stopped him getting other credit due to the adverse information on his credit file. He's also had to pursue his complaint, initially when it was difficult to contact NatWest during the pandemic.*

*I've thought very carefully about the impact NatWest's actions have had on Mr J and Mr J2, and because of that I am planning on awarding £700 compensation for the trouble and upset NatWest have caused them. Mr J has explained the impact this has had on his lifestyle and mental health. I've also taken into account the impact this had on Mr J's ability to gain credit and a re-mortgage, but I've mitigated any potential financial loss against how far removed this is from the NatWest's actions and what is reasonably foreseeable. And ultimately, no credit is guaranteed.*

*Putting things right*

*So I am planning on directing NatWest to do the following to put things right:*

- Remove all adverse credit records and markers from Mr J and Mr J2's credit file once they have paid NatWest the remaining debt left from their overdraft*
- Pay Mr J and Mr J2 £700 compensation for the distress and inconvenience caused"*

I then set both parties a deadline for any further arguments and comments. Mr J and Mr J2 asked for an extension to this, which I agreed to.

NatWest agreed with what I was planning on deciding and asked whether the £700 I'd recommended as compensation for the distress and inconvenience should be paid against the remaining debt or to Mr J and Mr J2 directly.

Mr J and Mr J2 did not agree to everything I had said NatWest needs to do to put things right. They were happy about what I said about the default being removed but said they had lost out on a low interest re-mortgage product which has cost them over £200 a month due to higher payments. They say because of this they've lost out financially in the region of £50,000. Mr J says he applied for £80,000 additional borrowing but was declined due to the default NatWest registered against him – so he missed out on a 2.1% interest rate.

Mr J says the intention for the borrowing was to pay off his credit card with a £5,000 limit as he was being charged a high interest rate on that – and was using it a lot due to the pandemic. Mr J says he's paid around £3,500 in interest to his credit card – and he couldn't transfer it to a 0% credit card because of the default.

Mr J has also sent in further evidence for me to consider which includes a letter from a mortgage company which says his application was declined in June 2021 for £80,000 due to a default being registered against him. A subsequent letter from the same company shows Mr J applied for a mortgage of 2.15% for his additional borrowing and his fixed rate product at the time would expire in July 2021.

As both parties have had a reasonable time to respond, I will now decide 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.

For the reasons in my provisional decision, and as above, I've decided to uphold this complaint.

NatWest have agreed with my findings on the merits of this complaint and for upholding it, so I don't need to make further findings on these points. Mr J and Mr J2 have made further submissions in relation to the redress – that is what NatWest needs to do to put things right.

Mr J says NatWest's actions have caused him a substantive financial loss of around £50,000. He says the default that was registered by NatWest meant he wasn't able to secure further borrowing of £80,000 at a preferential interest rate prevailing at that time. He adds he was taking out the additional borrowing to help him pay off a credit card with a balance of about £5,000.

In relation to this point, I said in my provisional decision that: *"I've also taken into account the impact this had on Mr J's ability to gain credit and a re-mortgage, but I've mitigated any potential financial loss against how far removed this is from the NatWest's actions and what is reasonably foreseeable. And ultimately, no credit is guaranteed"*

I've carefully considered what Mr J has said about this and reviewed the evidence he has sent. But I see no reason to depart from what I said about this not being reasonably foreseeable and that no credit is guaranteed. And borrowing money after all comes at a cost and must be repaid, so I can't say Mr J has suffered a loss for the principal borrowing amount.

I also note Mr J says he wanted to use some of these funds to pay off his credit card which attracted a much higher cost of borrowing. But it's quite a bit disproportionate to the amount he says he wanted to borrow, and though I don't doubt Mr J's integrity here, I can't be sure that is what it would have been utilised for.

So because of this I won't be making any further award of compensation.

NatWest has asked how it should pay the £700 compensation award for the distress and inconvenience Mr J and Mr J2 have suffered. This should be paid to them directly to a nominated account of their choosing, unless of course they are happy it is paid against the remaining overdraft debt balance.

## **Putting things right**

For the reasons above, to put things right National Westminster Bank Plc must:

- Remove all adverse credit records and markers from Mr J and Mr J2's credit file once they have paid NatWest the remaining debt left from their overdraft
- Pay Mr J and Mr J2 £700 compensation for the distress and inconvenience caused

## **My final decision**

For the reasons above, I uphold this complaint. National Westminster Bank Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mr J to accept or reject my decision before 13 October 2023.

Ketan Nagla  
**Ombudsman**