

The complaint

Mr S complains National Westminster Bank Plc unfairly removed his overdraft and closed his account.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr S opened an account with NatWest in January 2019 which had an overdraft facility. In June 2021 NatWest made the decision to close Mr S's account. It also informed Mr S in July 2021 that it would be ending its banking relationship with it and that if he was unable to clear the overdraft within 28 days, the outstanding debt would be passed on to debt recovery.

Mr S raised a formal complaint about the handling of his account, explaining he had been treated unfairly. Mr S also raised concerns about the default applied to his credit file. NatWest issued Mr S with a final response in May 2023 explaining it had closed Mr S's account in line with the account term and conditions. It also explained it had accurately reported information regarding Mr S's account to credit reference agencies.

Unhappy with NatWest's review, Mr S referred his complaint to this service for consideration.

An Investigator reviewed Mr S's complaint and found that NatWest had acted reasonably in the circumstances. Unhappy with the Investigator's review, Mr S asked for his complaint to be reviewed by an ombudsman.

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'm aware that I've only summarised Mr S's complaint points. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I can assure Mr S I have read everything he has provided.

Mr S has referred a separate complaint to this service regarding the affordability of the overdraft provided to him by NatWest and the default applied to his credit file. Mr S has received an ombudsman final decision regarding this complaint in March 2022 which he accepted. In this decision I won't be commenting on the issues raised within this separate complaint. Instead, I will focus on the issues which haven't been considered. In particular the closure of Mr S's account and his attempt to make a payment towards his account in June 2021. I will address each point in turn.

Account closure

Firstly, I have considered whether NatWest acted fairly in closing Mr S's account. The terms and conditions of Mr S's account explain NatWest can close the account immediately in specific circumstances. NatWest isn't obliged to disclose the exact reason to Mr S, but as part of its submissions to our service it has explained why it has taken such action. Although I'm unable to disclose this to Mr S, based on the information provided, I'm satisfied NatWest closed the account in line with the account terms and conditions.

I can see the immediate closure of the account has caused Mr S distress, and he has explained the impact NatWest's decision has had on him. Unfortunately, an account closure will inevitably cause a level of inconvenience and the account holder will have to spend time making alternative arrangements. But this isn't something I can fairly ask NatWest to compensate Mr S for, as its decision was made in line with its account terms.

Payment towards Mr S's account and credit file

On 15 June 2021 NatWest made the decision to close Mr S's account. Mr S was sent text message confirming this and NatWest's records show Mr S was also sent a letter explaining the immediate closure. Mr S says he attempted to make payment to the account on 18 June 2021, but the payment wasn't accepted. NatWest has confirmed that as the decision had been made to close Mr S's account with immediate effect blocks had been placed on the account. This means no payments in would be accepted, and this explains why the payment Mr S tried to make on 18 June 2021 was unsuccessful. I understand Mr S feels strongly that he made swift attempts to make payments towards his overdraft once he received notice of account closure, but I must highlight that any payments at this stage wouldn't have affected the status of his account and NatWest's decision to close it.

When NatWest made the decision to close Mr S's account, he had an overdraft on the account which he was utilising. Under the terms of Mr S's account NatWest can demand repayment of this debt at any time. In Mr S's case I can see NatWest issued him a letter in July 2021 demanding full repayment of the outstanding debt. This letter explains that if Mr S isn't able to clear the overdraft, the account will pass to debt recovery and this information would be reported to credit reference agencies.

Mr S has concerns about the impact NatWest's actions have on his credit file. I've reviewed the entries on Mr S's credit report, and I can see the report shows payments were made in 2021 towards the debt and a default was only applied in October 2021. So although Mr S's NatWest app showed payments as missed, this was because the account was now being managed by a third party.

NatWest has also confirmed the default was applied in October 2021 because a full repayment of the overdraft had been demanded in July 2021 and Mr S had 28 days to clear the outstanding overdraft. However, as this wasn't possible, NatWest was under a regulatory obligation to accurately report this information and apply a default.

So overall and having considered everything, I don't think that NatWest has treated Mr S unfairly and I'm not upholding this complaint. I appreciate this will be very disappointing for Mr S as he clearly feels strongly about the matter. But I hope he'll understand the reasons for my decision and that he'll feel his concerns have been listened to.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 June 2024.

Chandni Green
Ombudsman