

The complaint

Mrs W complains that National Westminster Bank Plc (NatWest) has unfairly defaulted her loan account.

What happened

Mrs W took out a loan with NatWest for £16,650. The monthly repayment amount was £436.02.

Mrs W says she accidentally cancelled her direct debit, but still made repayments manually. On 25 July 2023, Mrs W says she contacted NatWest to make a payment and set up a direct debit – however she says that NatWest said it couldn't take a payment from her at this time or set up a direct debit, because a formal demand for repayment of the full outstanding balance had been issued to Mrs W on that day. Mrs W says she found another way to make a payment and to bring her account back up to date, but NatWest still defaulted her account and referred her account to a debt collector.

NatWest didn't uphold Mrs W's complaint. It said it issued a default notice to her on 21 June 2023 requesting that arrears were cleared before 25 July 2023. And because the arrears weren't cleared before this date a formal demand notice was sent to her on 25 July 2023 stating that full repayment of the loan should be made before 4 August 2023. NatWest explained that once a formal demand notice is issued, it isn't possible to set up a repayment plan.

An Investigator considered what both parties had said, but they didn't uphold Mrs W's complaint. They explained that because Mrs W hadn't cleared the arrears before the 25 July 2023, it was fair of NatWest to default the account. The Investigator also found that NatWest had made attempts to contact Mrs W before taking the action it did. NatWest decided to take the account back from the debt collection agency, after it became aware of Mrs W's personal circumstances, which the Investigator found to be fair.

Mrs W didn't agree with the Investigators view. She provided evidence to show that she cleared the arrears on 25 July 2023, and so it was unfair of NatWest to have defaulted her account.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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.

Having considered all the evidence available to me I won't be upholding Mrs W's complaint.

I'll start by saying that when coming to a decision on this case, I have taken into account all of the information that has been provided to me by both parties. While I have read everything

that's been provided, I won't be commenting on everything – this isn't intended as a discourtesy, but merely to reflect the informal nature of this service.

Looking at the information NatWest has provided this service, I can see Mrs W missed loan payments in March and May, which meant her account was in arrears. The Information Commissioner's Office (ICO) states that an account should default when it is between three to six months in arrears. Given that Mrs W's account defaulted within the guidelines set by the ICO, I don't find that NatWest did anything wrong in relation to the time it took to default the account.

NatWest has provided this service with a copy of part of the default notice. This said:

"You are therefore required to pay these arrears to us by the date shown below:-

Date:- 25 July 2023

*If the action required by this notice is taken **before the date shown**, the action below will not be taken in respect of the breach.*

*If you do not take the action required by this notice **before the date shown** then the further action set out below may be taken against you."*

Mrs W made three separate payments of £436.02 to clear the arrears. These were received by NatWest on 11, 25 and 31 July 2023. I note that Mrs W has provided this service with evidence to show that she made the last payment on 25 July 2023, but because the arrears weren't cleared *before* 25 July 2023, NatWest defaulted Mrs W's account and sent her a formal demand for repayment of the full outstanding balance.

I think the letter is clear that payment of the arrears was due *before* 25 July 2023. Mrs W made the final payment to clear the arrears on 25 July 2023, so I can't fairly say NatWest did anything wrong when it defaulted the account. I can only ask NatWest to put something right, where it has done something wrong, and I'm sorry to disappoint Mrs W, but I can't fairly conclude that it has done anything wrong here.

I understand Mrs W says the letter isn't clear in relation to when the arrears were supposed to be repaid – that's because she says in some parts of the letter it says "by" 25 July 2023. But I can see from looking at a copy of the letter, that NatWest had highlighted in bold that payments were required before the date shown. I think NatWest has done enough to draw attention to the importance of the payment needing to have been made before the date in the letter, and so I can't fairly conclude that the letter was unclear or misleading.

Mrs W explained to this service that she was prompted to call NatWest on 25 July 2023 after she couldn't see the loan account in her NatWest app. I note that Mrs W told this service that she hadn't read the default letter, so I don't think it likely that she relied on the date in the letter, because she hadn't seen it at the point she made the payment. So I don't find that clearer information in the letter would have meant Mrs W would have cleared the arrears before the 25 July 2023.

Mrs W says that she didn't receive any contact from NatWest about the matter. I can see from looking at NatWest's internal notes that it had tried to contact Mrs W on a number of occasions between March 2023 and July 2023. I have seen evidence of letters, unsuccessful phone call attempts and text messages. So, I can't fairly say that NatWest hasn't made sufficient attempts to contact Mrs W about the arrears on the account.

I can see that part of Mrs W's complaint is that she tried to make a full payment over the phone on 25 July 2023, and that she was told she couldn't do this or set up a direct debit because a formal demand had been sent to her that day. But the payment to clear the arrears was already late by this point, so even if NatWest had been able to take a payment over the phone, the account would have still defaulted.

I note that NatWest has agreed to take the account back from being managed by the debt collectors, after it became aware of Mrs W's personal circumstances. I think this is fair in the circumstances.

My final decision

For the reasons set out above, I don't uphold Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 25 April 2024.

Sophie Wilkinson
Ombudsman