

The complaint

Mr I has complained that when Nationwide Building Society ("Nationwide") decided to close his account, it asked that he repay the outstanding overdrawn balance on his account. However, when Mr I went to do this Nationwide said he couldn't as his account was under review.

Mr I says that this led to adverse information being recorded on his credit file which in turn prevented him from applying for a mortgage.

What happened

In June 2022, Nationwide carried out a review of Mr I's account and asked that he provide information about his circumstances so that it could fulfil its Know Your Customer (KYC) checks. Mr I says he was unable to comply with Nationwide's request to provide information. Because Mr I did not provide the requested information, Nationwide wrote to Mr I on 4 August 2022 to say that it had completed its review and taken the decision to close his account.

Mr I said that he then contacted Nationwide to repay the outstanding overdrawn balance, but he was unable to make the payment. Mr I says that he was eventually able to make the repayment on 13 January 2023, but this was returned unpaid by Nationwide.

Following Mr I's complaint, Nationwide issued its final response letter on 14 February 2023. It explained why a block may've been applied to Mr I's account and said that a 'breathing space' had been applied to the account until 28 February 2023. Nationwide explained that Mr I's account was still under review and that it would be in contact once the review had been completed.

Unhappy with the response, Mr I referred his complaint to this service. After he'd done that, Nationwide wrote to Mr I on 23 August 2023 and apologised for the delay in resolving matters. It paid Mr I £250 compensation for the distress and inconvenience caused and also agreed to remove adverse information from Mr I's credit file from July 2022 up until August 2023. Nationwide also refunded 12 months of the packaged account fees and refunded £10.48 in overdraft interest. Nationwide also confirmed that Mr I was able to repay the outstanding overdrawn balance.

Mr I didn't accept Nationwide's offer to resolve the complaint, and said that due to the impact the matter had on him, he thought that £15,000 compensation was fair in the circumstances. Mr I also said that despite what Nationwide had said, he was still unable to pay the amount owed and that adverse data was still showing on his credit file since August 2023.

As Mr I didn't accept Nationwide's offer, our investigator looked into the complaint and upheld it. They said that Nationwide should pay an additional £250 in compensation, bringing the total amount to £500.

Nationwide responded and said that it accepted the investigator's recommendation regarding the increase in compensation. But Mr I didn't agree with the investigator's

assessment, so the matter was referred for an ombudsman's decision.

I issued a provisional decision on 23 April 2024 explaining why I was minded to reach a different outcome to the one reached by the investigator. I have included an extract of my provisional decision below and it forms a part of this decision.

“What I’ve provisionally 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 reviewed everything, I’m minded to reach a different outcome to the one reached by the investigator. I will explain why.

Firstly, I note that Mr I has not complained about Nationwide’s decision to review, and ultimately close his account in 2022. But instead, he has complained that since then, he’s been left in the position of being prevented from repaying the overdrawn balance that was on his account before it was closed. Mr I says that not only has he made repeated attempts to repay the debt and Nationwide refused to let him do so, but also that the outstanding debt has led to late payment markers appearing on his credit file. This meant that he was unable to buy a property.

Having considered everything, I do agree with Mr I that Nationwide has taken a considerable amount of time in which to review his account. And as it stands, I understand that Mr I has still not been able to repay the overdrawn balance. In the circumstances, I do think that Nationwide has taken an unreasonable amount of time in which to allow Mr I to make the repayment.

I note that the investigator recommended that Nationwide increase the amount of compensation paid to Mr I by a further £250 – bringing the total amount paid to £500. In my view this is reasonable. I say this because, although Mr I says his credit file was affected and this in turn affected his ability to obtain a mortgage, I also think that the lengthy account review process could’ve been avoided had Mr I provided the information that Nationwide had requested in the first place. As such, I think a large part of the distress and inconvenience that Mr I has experienced could’ve been avoided had Mr I complied with Nationwide’s request for information when reviewing his account. And so, when weighing up all the competing factors, I do think that compensation totalling £500 as recommended by the investigator is fair and reasonable in the circumstances.

That being said, I see no reason why Mr I now can’t repay the outstanding amount owed. As such, unless Nationwide provides me with a reasonable explanation as to why Mr I cannot now repay the outstanding debt, I think it’s only fair that Nationwide allow Mr I to do so.

Although I should add that I think it’s fair that only the original amount owed should be repaid. I don’t think it would be fair for Nationwide to expect Mr I to pay any interest or charges on the amount owed. Although I only say this for the sake of completeness, as Nationwide has not said whether it has applied any further interest and charges on the outstanding balance since it had responded to Mr I’s complaint in August 2023.

I understand that Nationwide had agreed to remove the adverse data it had recorded on Mr I’s credit file between July 2022 and August 2023. But given that Mr I has been willing and able to repay the outstanding debt since then, and it is only that

Nationwide has prevented him from doing so, I think it's fair that Nationwide remove any late payment markers that have since been added to Mr I's credit file too.

Putting matters right

I currently think that Nationwide should:

- *Pay Mr I an additional £250 compensation for the distress and inconvenience caused;*
- *Arrange for Mr I to repay the outstanding amount owed; and*
- *Remove any late payment markers recorded on Mr I's credit file since August 2023."*

After I issued my provisional decision, Nationwide responded and said that it accepted my provisional decision.

Nationwide said that, if Mr I accepts my final decision it will pay an additional £250, bringing the total amount of compensation to £500. It also agreed to remove any late payment markers for the time that the account was blocked. Nationwide did add that Mr I had repaid the overdrawn balance on 6 March 2024 and said that there was nothing left for him to repay.

Mr I responded and in summary said that he didn't provide the information being requested by Nationwide not because he was too busy, but because he was suffering from mental health issues at the time due to problems in his personal life and marriage. Mr I also said that he thought the information being requested was unreasonable.

Mr I said that £500 compensation is not enough given the impact this matter had on him. Mr I also said that Nationwide had asked him to repay the overdraft because its review was complete and it had ultimately decided to close the account. Mr I says that it was therefore an error that his account was still showing as being under review.

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 have reconsidered everything, including Mr I's recent responses, and I remain of the view that the redress I set out in my provisional decision is fair in the circumstances.

In terms of Mr I's point about whether his account was still being reviewed around the time that he expected it to be closed down, I understand why he has questioned this. After all he was sent a letter on 4 August 2022 to say that Nationwide had completed its review and taken the decision to close his account, but then didn't close his account.

However, when responding to Mr I's complaint Nationwide did address this point. Specifically, Nationwide explained in its final response letter of 23 August 2023 that:

"Unfortunately, the account review process wasn't fully completed when the collections process started, which means that when you responded to our letters and calls and contacted us to make the payment, we were unable to accept the funds."

I do think it was unfortunate that Mr I was sent the letter in August 2022 saying the account review had been completed. But it does seem that his non-compliance with the information

request is what led to Nationwide having to keep his account open longer so that it could complete its review.

I'm sorry to hear about Mr I's circumstances around the time that Nationwide asked him to provide information, and I recognise that complying with Nationwide's request for information was probably not a priority for him at the time. But equally, I think that Nationwide was reasonably entitled to ask for the information that it did. And given how long the account review went on for, Mr I had plenty of time in which to provide the information requested to get matters resolved. So, I do think that Mr I's refusal to provide the requested information directly contributed to Nationwide being unable to complete its review. Although having said that, I do agree that the amount of time it took for Nationwide to resolve matters has been unreasonable.

So, when weighing up all of the various factors and all of the evidence I have been presented with, including Mr I's request for more compensation, I do think that a total of £500 compensation is fair in the circumstances.

Finally, I note that Nationwide says that Mr I has since repaid the outstanding amount. So Mr I now doesn't owe Nationwide any more money.

Putting things right

To put matters right, I require Nationwide to

- Pay Mr I an additional £250 compensation for the distress and inconvenience caused; and
- Remove any late payment markers recorded on Mr I's credit file since August 2023.

My final decision

Because of the reasons given above and in my provisional decision, I uphold this complaint and require Nationwide Building Society to do what I have outlined above to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 31 May 2024.

Thomas White
Ombudsman