

The complaint

Mr W complains The Royal Bank of Scotland Plc unfairly closed his account and recorded adverse information on his credit file.

What happened

Mr W held an RBS account which was highlighted as potentially dormant in March 2022 due to inactivity. RBS contacted Mr W about the account and funds were paid into the account in April 2022. On 28 April 2022, RBS informed Mr W that interest would be charged on any overdraft on the account.

The account remained open, but as no funds were paid in RBS wrote to Mr W on multiple occasions in April and May 2023 to explain its dormancy process. RBS also contacted Mr W by phone. As no contact was received on 7 June 2023 RBS explained the overdraft on his account would be removed and he would be required to repay the full amount. Mr W didn't respond, and the outstanding debt was passed on to a debt collection agency on 14 July 2023.

Mr W raised a formal complaint about the closure of the account and the handling of his overdraft. Mr W says he didn't receive any of the correspondence sent to him as RBS was sending it to an old address. RBS said it only received new address details on 11 October 2023, and prior to this it had the details Mr W provided to it when the account opened in 2006. RBS also highlighted Mr W had been contacted by phone and had access to online banking. As part of its review RBS accepted that the service Mr W had received when he raised concerns wasn't always at the level expected and it paid Mr W £50 in recognition of any inconvenience caused.

Mr W reiterated his concerns to RBS and explained he had requested his address be changed prior to October 2023 when he visited his local branch. Mr W said he also emailed the branch this request. RBS reviewed its position and agreed to remove the adverse information recorded against Mr W for the overdraft. It also offered an additional £100 for the distress and inconvenience caused to Mr W.

Unhappy with the response and the fact the negative markers remained on his credit file, Mr W referred his complaint to our service. An Investigator looked into Mr W's concerns and in summary, found the following:

- RBS acted reasonably in reporting information about the overdraft to credit reference agencies given its regulatory obligations.
- The available evidence doesn't show RBS received a change of address request from Mr W, but it was fair for RBS to accept Mr W's comments about attending branch.
- Although RBS agreed to remove the negative entries made against Mr W it didn't do this in a timely manner. RBS should pay Mr W an additional £150 for the distress this caused.

RBS accepted the recommendations in full. Mr W remained unhappy and asked RBS to clear the balance he owed, or at least reduce it by 50%. The Investigator put this to RBS, who disagreed and said the Investigator's findings were appropriate.

Dissatisfied with this review, Mr W 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.

Having done so, while I appreciate Mr W's strength of feeling about his complaint, I'm satisfied the recommendation outlined by the Investigator is fair. I'll explain why.

It is common for banks such as RBS to have their own dormancy process. In general, there is no set time a bank or building society must use to determine that an account is dormant – there is only industry guidance and good practice. I have considered good industry practice which includes guidance for banks dealing with dormant accounts. This encourages banks to follow ten core pledges, which aims to ensure customers are provided with sufficient notice and they are treated fairly.

RBS has provided copies of the letters it issued to Mr W. These letters clearly set out the account would close due to inactivity and each one provided Mr W with the necessary two-month notice period. The letters also set out clearly the steps Mr W could take if he wished for the account to remain open. In particular I can see the letters explain what steps Mr W needed to take in relation to the overdraft that was being utilised.

Mr W says he didn't receive these letters, as they were sent to his old address. Mr W says he moved home in December 2021 and asked for the address to be updated at his local branch. Although the technical evidence provided doesn't show any requests for a change of address, RBS accepted Mr W's comments. As a result, it agreed to clear the negative entries made against his credit file following the overdraft debt being passed to a debt recovery agency. Mr W says RBS took too long to do this, and this had a significant impact on him. Mr W was keen to rebuild his rating and the service provided by RBS has caused him distress and inconvenience.

Santander has paid £150 to Mr W and agreed to an additional £150 due to the time taken to update Mr W's credit file. I've thought carefully about this amount in light of Mr W's comments about the impact the complaint has had on him. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. I can see Mr W feels £300 in total is inadequate and has asked for his outstanding debt to be cleared. Our awards are not intended to be punitive for businesses and we wouldn't ask a business to waive a debt which is legitimately owed. Ultimately, RBS has taken steps to place Mr W in the position he would be in had the overdraft not been passed to debt management. This includes amending his credit file and offering compensation to reflect the inconvenience caused. The removal of the debt wouldn't be fair as Mr W had use of the funds. Given the details provided I'm satisfied this monetary amount is reasonable and in keeping with this service's approach to compensation.

I know this will not be the outcome Mr W was hoping for and he will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking RBS to increase its offer of compensation.

Putting things right

To put things right, The Royal Bank of Scotland Plc should do the following:

- Pay Mr W an additional £150 for the poor service and delays it caused when it agreed to amend his credit file. This is in addition to the £150 it has already paid Mr W.

My final decision

My final decision is that I uphold this complaint in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 October 2024.

Chandni Green
Ombudsman