

The complaint

Mr H complains that National Westminster Bank Plc wrongly increased his monthly loan payments, and also complains about various other errors in the administration of his loan.

What happened

In April 2022 Mr H entered into a regulated loan agreement with NatWest. Originally, his monthly loan repayments were to be made on the first day of each month, by direct debit. But on 30 July 2022 he asked NatWest to move this to the last day of each month instead. It was too late to implement this change for his August payment, so the change was to take effect in September.

Mr H's direct debit on 1 August was returned unpaid, so the bank agreed to put the due date back to 31 August. Consequently, Mr H was charged an extra month's interest, which resulted in his subsequent payments increasing from £513 to £527.

Mr H complained about that, and about some other issues connected with the repayments on his account, which I will describe in the next section. NatWest upheld some of his complaints and paid him £325 compensation and £8.15 in refunded interest. But it did not agree to reduce his monthly payments back to their original amount, because it insisted that it was still entitled to charge interest for the month of August 2022. Being dissatisfied with that response, Mr H brought this complaint to our service.

Our investigator upheld this complaint. She agreed that some phone calls had been handled poorly, incorrect and conflicting information had been given to Mr H and had not been corrected or clarified until March 2023, and a payment he'd made had been wrongly reversed; that error had never been adequately explained. However, she agreed that the explanation given to him about why the monthly payment amount had slightly increased was correct, so she didn't tell NatWest to change it back.

The investigator recommended that NatWest remove from Mr H's credit file any adverse information which had been reported up to May 2023, and ensure that his credit file since then accurately reflects the account's payment history. She also said that NatWest should pay Mr H another £300 for his trouble.

NatWest accepted those recommendations. Mr H accepted most of what the investigator had said, but he would not accept that his payments had increased by about £14 a month. He said that over the remaining loan term, this would add up to £750. He asked for this to be reversed.

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.

As I've said, in July 2022 Mr H asked NatWest to move his payment date from the first to the last day of the month. It was agreed that this would be implemented from 30 September, and

he would still have to make a payment on 1 August. Unfortunately, the payment date was not amended, and unknown to both parties the direct debit remained in place for 1 September.

Meanwhile, Mr H was unable to make his 1 August payment on time (due to illness). A couple of weeks later, on 15 August, he contacted the bank again, and it was agreed that he could make the August payment manually at the end of the month instead. On 16 and 26 August, NatWest sent Mr H two text messages telling him that his monthly payments were going to increase to about £527. (This was because of the extra interest that had been charged for August as a result of the delayed payment.)

Part of Mr H's complaint is that nobody told him that would happen. But he was told about it in those texts, and the contact notes say that he was told on the phone call. So I don't uphold his complaint about that matter.

I also do not require NatWest to amend Mr H's credit file to remove the fact that his account was in arrears in August 2022. That is an accurate reflection of his payment history.

Mr H made a manual payment on 31 August, and then his account was no longer in arrears. But the next day, because the date of his direct debit had not been changed, a payment was unexpectedly claimed. Mr H called NatWest about this on 2 September, and the call handler refunded that payment. This meant his account was now in arrears by one month, because the due date was still 1 September; that's NatWest's fault. Then on 5 September, that direct debit payment was recalled, causing the account to go into arrears by another month.

Mr H complained about all this, and on 16 September NatWest paid him £75 compensation. NatWest also agreed to credit the amount of the 2 September refund to his account, plus £8:15 to cover the extra interest he'd incurred since 1 September. But the 1 September payment remained unpaid, so the account was still one month in arrears.

NatWest also agreed to remove the arrears from Mr H's credit file, and to refund any interest on those arrears, if they were paid by 14 October. It added that if Mr H still wished to change his payment date, he would have to contact the bank again. NatWest warned him in writing that this would mean he would have to make two payments in one month. The reason for that was so that he would not be charged a month's additional interest (like he was in August).

On 22 September, Mr H asked for the direct debit to be cancelled, which was done. In that phone call, the call handler repeated that changing the payment date would mean making two payments in the same month. (It's unclear if he was told about this in July or not. It seems possible that he was supposed to make two payments in September, on 1 and 30 September; if so, then the attempted direct debit on 1 September was not a mistake.)

Meanwhile, Mr H had also complained about something else (not part of this case), and on 26 September NatWest sent him a final response letter about that, in which it wrongly told him that his account was no longer in arrears. And in a phone call on 30 September, NatWest repeated that information. So while NatWest's offer and 14 October deadline were quite clear when the offer was made, I think these subsequent errors explain why Mr H failed to meet that deadline and failed to clear the arrears. The account continued to be in arrears well into 2023, and I think NatWest is responsible for that.

Also in the 30 September phone call, Mr H asked for the payment date to be moved from 1 to 30 November. This was done, and payments by direct debit on the 30th of each month began to be collected from 30 November.

The contact notes for that call state that Mr H knew that he needed to make a payment on 1 October. But his loan statement shows that no payment was made until 31 October, which was a manual payment by Mr H. And no payment had been made on 30 September either (and Mr H must have known that, because he knew he'd cancelled the direct debit). That means that no payment was made between 31 August and 31 October (apart from NatWest's credits on 16 September). So the account was in arrears throughout October 2022. NatWest is not responsible for that, and so I do not require it to remove those arrears from Mr H's credit file.

From November 2022, Mr H made regular payments by direct debit. But the account was still in arrears, because no payment had been made in September.

In February 2023, NatWest paid Mr H £50 compensation because it had told him that the direct debit payments would be taken on the last day of each month, when actually they had been set up to always fall on the 30th day of each month. I think that is fair compensation for that matter.

In March 2023, NatWest sent Mr H another final response letter in which it acknowledged that it had not properly explained (until February) that the account had been in arrears since 2022 because of the missed payment in September. NatWest paid him £200 for that (and also for refunding the payment he'd made on 1 September¹ and for not changing his payment date in July). But it also reminded him that he still owed one month of arrears, and that he would need to make an arrangement to pay it.

In April, NatWest sent Mr H yet another final response letter, to say that it would still honour its offer to remove the arrears from his credit file and to refund any interest on the arrears, provided that he paid the arrears; meanwhile it would put his account on hold for 30 days to give him time to pay. That seems reasonable to me. Although I have said it was the bank's fault that Mr H was in arrears, he still owes it that money, and the bank is entitled to demand it.

In June, NatWest sent another final response letter (its seventh, all told), in which it said that as Mr H had still not paid the arrears, they would remain on his credit file. I think that is reasonable, because although the arrears had originally appeared due to an error by the bank, Mr H had had enough time to either repay them or at least enter into an arrangement to pay them. For the same reason, I think that NatWest is entitled to charge interest on the arrears – from May 2023 anyway; not before.

The monthly payments increased because Mr H missed the payment that was due on 1 August. That may not have been his fault, because he was ill, but it is not the bank's fault either, and so it remains the case that this resulted in the additional interest being added to his debt, which was added to his monthly payments. That is not the result of anything NatWest did wrong, so I cannot require it to reduce the payments to their original amount.

I agree with the investigator's recommendation to award an additional £300 compensation, and NatWest has not argued that I should do otherwise.

My final decision

My decision is that I uphold this complaint in part. I order National Westminster Bank Plc to:

- Pay Mr H £300 for his inconvenience (in addition to what it has already paid him);
- Refund or waive any interest charged on the September 2022 arrears up to May

¹ That letter says it was actually the 31 August payment which was refunded on 2 September, which I'm not persuaded is right, but it doesn't actually matter which payment was refunded.

- 2023 (if this has not been done already);
- Remove from Mr H's credit file any adverse information which it has reported between September 2022 and May 2023 inclusive, except that it may continue to report one month's worth of arrears in October 2022; and
 - Ensure that his credit file since June 2023 accurately reflects the account's payment history to date.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 November 2024.

Richard Wood

Ombudsman