

The complaint

Mr S complains that Nationwide Building Society (NWide) defaulted his loan.

What happened

In August 2023, Mr S took out a personal loan for £2,500 with NWide. Including interest, the amount payable was £3,270.80. Payments were £81.77 per month.

In April 2024, Mr S called NWide. He said he had been involved in an accident and was off work. He couldn't work for a period and his income was reduced.

NWide agreed to a two-month payment holiday – on 3 April 2024.

NWide wrote to Mr S:

4 April 2024: to set up the payment plan.

21 May 2024: the balance was £2,154.61 and arrears were £163.51.

18 June 2024: NWide sent a default notice; the balance was £2,184.61 and arrears were £245.31.

10 July 2024: the balance was £2,184.61 and the letter said it had to be repaid.

In June 2024 and July 2024, Mr S' credit file was marked 'in arrears'.

In August 2024, Mr S' loan was defaulted and his credit file marked with the default. The debt was passed to a debt collection agency (DCA).

Mr S complained.

He says he didn't get any of the letters sent by NWide. The first thing he heard was when he got the letter in August 2024 about the default. Because of the default and arrears on his credit file, his credit rating has been affected. He says NWide should remove the default and the reporting of arrears.

NWide didn't uphold Mr S' complaint. They said Mr S called the firm on 2 April 2024 and told NWide he was only getting statutory sick pay and couldn't make the payments to his personal loan – for up to two months. NWide agreed to a two-month payment plan whereby he didn't need to pay anything in April 2024 and May 2024. He was advised his credit file would be affected as being in arrears.

The direct debit was cancelled. NWide wrote to Mr S on 21 May 2024 to say the plan was due to end and asked him to contact the firm.

NWide said they didn't get any contact from Mr S after April 2024. They said they'd made numerous calls to him but without success. Then, NWide sent Mr S a default letter on 18 June 2024 to say that if they didn't hear back, the loan would be defaulted.

The loan was then defaulted on 1 August 2024.

Mr S brought his complaint to us.

Our investigator didn't uphold it and said:

- Under the Information Commissioner's Office (ICO) guidance, accounts may be defaulted if they fall into three months' arrears.
- And by June 2024, Mr S' loan was three months in arrears. A default notice was sent to him on 18 June 2024 asking him to clear the arrears or contact NWide. Two more letters were sent in July 2024 and following no contact from Mr S, the loan was defaulted and passed to a DCA.
- She was satisfied the letters were sent – to Mr S' correct address.

Mr S didn't agree.

He maintained that none of the letters had been received, other than the default letter in August 2024. He said NWide couldn't have sent the letters they claimed to. He said he had got some calls from someone which purported to be from NWide but he didn't think it was from the firm. He said he went to a branch of NWide and was told the number wasn't that of the firm.

Mr S says his credit file should at least have the arrears markers deleted for the period while his complaint was being considered.

Mr S asked that an ombudsman looks at his complaint, and so it has come to me.

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.

The guidance for dealing with defaults is laid down by the Information Commissioner's Office (ICO). This says when a consumer is at least three months behind with their payments then a default may be registered. And it would expect a default to be registered by the time the consumer is six months behind with their payments. It is the business' responsibility to put an entry on the credit file. This cannot be taken off unless it is an error.

And all firms (including NWide) have a responsibility to report accurate information to the credit reference agencies, including arrears/ late payments.

The crux of this complaint is whether NWide communicated clearly about what was happening, and what was going to happen.

I looked at the various letters sent by NWide.

On 4 April 2024: NWide wrote to Mr S to set up the payment plan. This said two months payments wouldn't be made – from April 2024 to May 2024. It also said: "...We may also send you a Default Notice if you don't make an arrange to repay your outstanding arrears when you've finished your current plan..."

How does being in arrears on your personal loan affect your credit rating? If you have arrears on your personal loan, we'll report this to the credit reference agencies: Experian, Equifax and TransUnion. This means you may find it harder to borrow money in the future."

On 21 May 2024: NWide wrote to Mr S. The balance was £2,154.61 and arrears were £163.51. *"We're getting in touch to let you know the payment plan on your Personal Loan account has ended. Your account is still in arrears so we need to agree how you'll bring it up to date...."*

We're getting in touch to let you know the payment plan on your Personal Loan account has ended. Your account is still in arrears so we need to agree how you'll bring it up to date....Just call us using the number at top of this letter..."

On 18 June 2024: balance was £2,184.61 and arrears were £254.31. NWide sent Mr S a default notice. It said: *"Urgent – you've defaulted on your Personal Loan...We've been trying to contact you because you're still behind with your payments on your Personal Loan....Please pay £245.31 by 16th July 2024, as explained in the Default Notice...If you don't make a payment of £245.31 or contact us by 16th July 2024, we'll have no choice but to do one or more of the following:*

- *Pass your debt on to a collection agency. Debt collection agencies are companies who specialise in collecting debts where the original creditor hasn't been able to get it repaid.*
- *Ask you to pay the full account balance.*
- *We'll also register your failure to pay as a default with Credit Reference Agencies. This could affect your credit rating and might make it more difficult for you to obtain credit in the future."*

On 10 July 2024: the balance was £2,184.61. NWide said the balance had to be repaid. The letter said *"please pay us £2184.95 to pay off the outstanding balance...If you can't pay, please call us on the number at the top of this letter..."*

If we don't receive a payment or hear from you within 7 days from the date of this letter, we'll pass your account to a Debt Collection Agency to collect the debt for us....We inform Credit Reference Agencies when accounts are in arrears. This could affect your credit rating and might make it more difficult to borrow money in the future.."

Given these letters I conclude that:

NWide sent Mr S several letters which:

- Clearly set out the position on his loan. And what he needed to do to bring it up to date and avoid further action.
- Advised him that his credit file would be marked with arrears and then the default.
- Explained the effect this would have on his credit rating.
- Asked Mr S to get in touch.
- And by the time of the default notice in June 2024, Mr S was three months in arrears – and so NWide were entitled to default the loan.

Mr S argues he didn't get any of the letters. But – I've seen they were correctly addressed to him. And we take the view that once letters have been properly despatched by a firm, we can't expect that firm (NWide in this case) to be responsible for their delivery.

We asked NWide for evidence they'd been sent – and I'm satisfied the firm proved they were sent.

NWide also said they tried to call Mr S many times – and Mr S doesn't dispute that he had a number of calls from the firm. He says he wasn't sure it was NWide calling. But if he had those concerns - I think it would've been reasonable for him to then call NWide himself to find out what the calls were about.

And in NWide's records, there isn't any record of Mr S contacting the bank.

For all these reasons and in summary, I think NWide acted reasonably and I am not asking them to do anything here.

Mr S has asked that the marks on his credit file are deleted while his complaint has been under consideration. But as I've said, NWide has a responsibility to report accurate information unless there has been an error – and as I don't consider there has been, I am not asking NWide to do anything.

My final decision

I do not 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 19 February 2025.

Martin Lord
Ombudsman