

The complaint

Mr F complains that The Royal Bank of Scotland Plc (“RBS”) hasn’t treated him fairly in relation to two credit card accounts he has with it.

What happened

Mr F had a previous complaint with this Service about some lending he had with RBS – the two credit cards that he now complains about were included in the previous complaint. He says while the complaint was ongoing, RBS placed a hold on his accounts. He says it didn’t tell him how long the hold would be in place for, and it didn’t tell him that interest and charges would still be applied to the account while the hold was in place.

Mr F says he was initially told that the hold would be in place for three months, and then he was later told that the hold would last until his complaint had been resolved. He says that RBS didn’t get in touch with him after the hold had been removed and it didn’t give him chance to set up a repayment plan for the outstanding balances. He adds that he couldn’t have contacted RBS at an earlier point in time, because he needed to first find out how much he would need to repay towards his loan account (also with RBS) before he could commit to making repayments to the credit card accounts.

Mr F says that RBS’ failure to contact him for repayment following the hold has led to his accounts being passed to two separate debt collection agencies. He adds that this has had a negative impact on his credit file and his mental health.

RBS responded to Mr F’s complaint, but it didn’t uphold it. It said that his accounts had been placed on hold for three months from August 2023 but it didn’t agree to waive interest and charges. It explained that it had issued Mr F with statements to request repayment, and because it hadn’t received a repayment from Mr F since March 2023, it sent him default notices for the accounts in July 2023 and August 2023 which provided him with 21 days to bring the accounts back up to date. Because RBS didn’t receive a repayment from Mr F, it said it sent termination notices in July and September. RBS added that the outcome of Mr F’s previous complaint with this service was provided to him in October 2023, which gave him enough time to set up a payment arrangement. Because this wasn’t done, the accounts have been passed to debt collection agencies.

An Investigator considered what both parties had said, and they thought Mr F’s complaint should be upheld in part. While they didn’t think RBS had done anything wrong in charging interest and referring his accounts to a debt collection agency, they felt RBS’ communication around the hold on his accounts wasn’t clear enough. And so, they felt a compensation award of £75 was a sufficient way to resolve the matter.

Mr F didn’t agree with the Investigator. In summary, he said that he received no contact from RBS following the holds being placed on his accounts – so he had no idea the holds had ended. He says he received statements during this time, but he was also receiving statements while his accounts were placed on hold. He says the first contact he received was to let him know his accounts had been passed to debt collectors. He said he was given no opportunity to set up a repayment plan.

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

It was my intention to come to a different outcome to the Investigator, and so I issued a provisional decision on this case, giving both parties the opportunity to respond with anything else they wanted me to consider.

I have copied my provisional decision below, which also forms part of this final decision.

"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 of the evidence available to me, it is my current intention to uphold Mr F's complaint. I will explain why below.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my provisional decision. I say this as I'm aware I've summarised Mr F's complaint in less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

Hold on accounts and repayment communication

RBS has said that it didn't tell Mr F his accounts were going on hold, and it says that it believes Mr F has confused the 'hold' with the 'breathing space' he was given in March 2023.

I have also looked at the information on Mr F's other complaint. I can see Mr F provided this service with a copy of a letter RBS sent him by email on 7 August 2023. This said:

"Thank you for contacting us about the above credit card accounts.

I can confirm I have arranged to place a hold on further contact for the above credit card accounts whilst your complaint is being dealt with by The Financial Ombudsman Service."

Based on what I've seen, I'm persuaded RBS told Mr F that a hold had been placed on his accounts and contact relating to the accounts would cease while this Service investigated his complaint.

There isn't much context in the letter about what the hold meant for Mr F's accounts, other than RBS wouldn't contact him and that the hold would be in place while this Service investigated his concerns. So, I think RBS could have been clearer here in letting Mr F know what it required him to do while his account was on hold – for example, whether or not it expected him to make repayments. And if it still intended to default his account.

That being said, I do think the letter was clear that the hold was only in place while this Service completed its investigation. In regard to that investigation, a view was sent to Mr F in October 2023 and confirmation RBS agreed to pay the redress was sent to Mr F in November 2023. Mr F responded to the communication sent by this Service on the previous complaint so, I think he ought to have been aware, at the latest by November 2023, that his accounts were no longer on hold, and that therefore repayments for the credit card accounts

were due. I have looked at the view the previous investigator sent to Mr F, and there is no recommendation to uphold these two credit card accounts, and so I think it was reasonable of Mr F to have been aware that repayments on these accounts were still due.

I know Mr F is unhappy that RBS didn't contact him to let him know that the hold had been removed, or to request repayment from him before it sent his accounts to a debt collection agency. As I've said, the letter explained the hold would remain whilst this Service investigated, so I don't think it needed to tell Mr F once it had been removed, because he was already aware that this Service had finished its investigation. RBS also sent Mr F statements letting him know that repayments were due. I think in the circumstances, this was sufficient for Mr F to have been aware that he was required to make a repayment to the accounts, but he didn't do this.

It isn't clear why Mr F was expecting that RBS would make additional contact with him regarding these accounts once his complaint with this Service had been resolved. Like I said, there is no recommendation in the Investigator's view relating to these accounts. And I haven't seen anything anywhere else that would suggest RBS has said it would contact him. I'm persuaded that Mr F ought to have known repayments were due on these accounts following this Service's previous investigation. The statements RBS was still sending to him explained how much he owed and when the repayment was due.

So, even though I don't think RBS' communication in the hold letter was clear about what would happen with his accounts while they were on hold, I'm satisfied that RBS did enough to let Mr F know the duration of the hold. And I haven't seen anything that RBS sent to Mr F that would suggest there was no requirement for him to keep up with repayments. It would have been up to Mr F to make contact with RBS to arrange a repayment plan if that's what he wanted to do.

Credit file impact and debt being passed to debt collection agencies

I know that Mr F is concerned about the impact this situation has had on his credit file. The impact to his credit file will more likely be as a result of the accounts defaulting as opposed to the accounts being managed by debt collection agencies. I've thought about whether it was fair of RBS to have defaulted the accounts, given that I'm persuaded its communication about what would happen to his accounts while they were on hold wasn't as clear as it could or should have been. Having considered this carefully, I'm satisfied it was fair of RBS to have defaulted the accounts. I'll explain why.

Mr F hadn't made a repayment to either of these accounts since March 2023. The Information Commissioner's Office (ICO) says an account should default when it is between three to six months in arrears. RBS defaulted these accounts in February 2024, because it hadn't received a repayment – which is clearly more than six months after the last payment (I will deal with this further down in the decision). RBS did send Mr F default notices and termination notices on both accounts – one account had a default notice and termination notice sent prior to the hold being placed on the account. So I'm satisfied that there oughtn't to have been any confusion around whether this account would default or not as a result of the hold.

The other default notice and termination letter was sent to Mr F after the letter to say his account was on hold. I don't think it was clear to Mr F during the period his accounts were on hold what RBS' intentions were, and whether it intended to default this account. However, given that Mr F would have been aware he hadn't made any repayments to this account, and didn't do so once the hold had ended, I don't think better information or communication about the default would have prevented it from happening. The result of all this is that I'm satisfied RBS has fairly defaulted the account, as he hasn't kept up with his contractual

obligations to make the minimum repayments.

Taking into account what I've said about the ICO guidance, and when it suggests that an account should be recorded as in default, I'm currently of the view that Mr F's account should have defaulted at an earlier point in time. Mr F's accounts would have been in six months of arrears by September 2023 – so I think RBS should backdate the default date for both accounts to reflect that they should have defaulted around September 2023. It should also refund any interest or charges applied to Mr F's account after this date.

Once an account has defaulted, it isn't unusual for the management of that account to be passed to a debt collection agency. There isn't anything unfair or unreasonable about this and the terms and conditions of the account allow for this to happen. The termination notices sent to Mr F in July and September 2023 also confirm that the accounts will be passed to a third-party if they weren't brought up to date. So, I'm satisfied that Mr F was provided with information about what would happen if the arrears weren't cleared.

I appreciate that Mr F is unhappy that he wasn't provided with more recent notice about his account being passed to debt collection agencies – or notice of this following the holds being removed. I'm not persuaded RBS needed to do this. It had already told him that was its intention if the arrears weren't repaid. And given that the accounts had defaulted by this time, I don't think it was unreasonable.

Summary

Overall, I can't agree that it was unfair of RBS to have defaulted the accounts or that it was unfair of it to have passed his accounts to debt collection agencies.

However, I am satisfied that the default date on the accounts should be back dated to when the accounts had been in arrears for six months, which from what I've seen should be September 2023. I also think interest and charges should be refunded on both accounts after September 2023.

I'm satisfied that RBS could have done more to explain to Mr F what the hold would mean for his accounts – I don't think it was clear that collection activity would continue. And it did still contact Mr F during this time to send him a default and termination notice, so I can understand why he would have likely been confused by this. I'm of the same view as the Investigator that RBS should pay Mr F £75 compensation for this.

I note that Mr F feels as though he has been victimised by RBS, but based on the information I've seen, I can't agree. Mr F hadn't made a payment to either of these accounts in almost 11 months, so it doesn't seem unreasonable to me that RBS took the action it did in defaulting the accounts and passing them to debt collection agencies."

Mr F responded to say that he accepted the provisional findings. However, he asked that I consider asking RBS to remove the defaults from his credit file, as they were added mainly due to miscommunication. Mr F adds that the impact of the defaults will remain for six years. He's said that he is currently in financial difficulty and trying to get himself out of a 'mess'. He adds that he intends to make arrangements with the debt collectors to make a monthly repayment. And removing the default would give him stability and allow him to handle the debt while repairing some of the damage caused to his credit file.

RBS responded and accepted my findings.

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 everything again, I have decided to uphold Mr F's complaint, for much of the same reasons as in my provisional decision. However, I have made a slight change to how I think RBS should put things right for Mr F – I have already communicated this to RBS and it has agreed to carry out the updated actions.

Looking at the information again, I think RBS should have defaulted the accounts when it sent Mr F termination letters. This is in keeping with the date an account would normally default once default notices have gone out. RBS says it sent Mr F termination letters in July and September – and so the default dates and refund of interest and charges should be backdated to when it sent the termination notices on the account. I will change my direction to reflect this in the 'putting things right' section of this decision.

I am sorry to disappoint Mr F, but I won't be asking RBS to remove the defaults. I can only order a firm to put something right, where it has done something wrong. And in this case, I don't think RBS has done anything wrong in defaulting the accounts.

A credit report should be an accurate reflection of how an account had been managed. Mr F had missed around 11 repayments at the point in which RBS defaulted the accounts. And so it is my view that RBS were right to default the account. But as I explained in my provisional decision, I'm of the view that the date of the default should be backdated.

I note Mr F's comments in that he feels the accounts defaulted as a result of miscommunication. I have looked again at the information RBS sent to Mr F relating to his accounts. He was sent default notices in July 2023 and August 2023 which provided him with 21 days to bring the accounts back up to date. Because no payment was received, RBS sent termination notices in July and September 2023. I've looked at a copy of these letters and they are clear in explaining what would happen to the accounts if they weren't brought back up to date. I can't fairly conclude that RBS miscommunicated with Mr F in this respect.

The only miscommunication I found in this case, was around what was happening to Mr F's accounts while they were on hold. Even if Mr F was unsure about what was happening to his accounts while they were on hold, I'm satisfied he was aware RBS were going to default them, and when he didn't make any payments following the closure of his previous complaint, I think it ought to have been clear that the accounts were still due to default.

Putting things right

For the reasons explained in my provisional and final findings, I'm satisfied that RBS should put things right for Mr F by:

- Backdating the default date on each account to reflect the date RBS sent Mr F a termination notice.
- Refund any interest or charges applied to the accounts after the termination letters were sent.
- Pay Mr F £75 for the information he received relating to the hold on his accounts

My final decision

For the reasons set out above, I uphold Mr F's complaint. I order The Royal Bank of Scotland Plc to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 8 January 2025.

Sophie Wilkinson
Ombudsman