

## **The complaint**

Mr and Mrs T complain that National Westminster Bank Plc delayed applying a default to their joint current account.

## **What happened**

Mr and Mrs T had a joint current account with NatWest, which had an arranged overdraft of £4,000.

In July 2023, Mr and Mrs T began the process of entering into a debt management plan (DMP) with their creditors. Mr and Mrs T began to make £38.84 monthly repayments towards the overdraft in September 2023. Mrs T says that, because of an error by HMRC, a child benefit payment continued to be paid into their joint account until November 2023. Mr and Mrs T needed to access the benefit payment, so NatWest put the DMP process on hold. NatWest agreed a DMP with Mr and Mrs T on 4 November 2023, which began on 8 November 2023. On 14 November 2023, NatWest told Mr and Mrs T it would remove their overdraft by 18 December 2023.

Unhappy with NatWest's handling of this process, Mrs T complained. On 24 November 2023, NatWest issued its final response. This said it had refunded £91.32 of interest and a £5.86 overdraft usage fee, and they had paid £50 compensation. The final response letter let Mr and Mrs T know they had six months to refer their complaint to our service.

By June 2024, Mr and Mrs T were still unhappy with NatWest again. NatWest issued a final response to Mr and Mrs T's complaint on 21 June 2024. In summary, NatWest said it had acted correctly by recording their account in default. NatWest said their account had remained open for repayment purposes.

Unhappy with this response, Mrs T referred their complaint to our service in June 2024. Mr and Mrs T said this matter has been extremely stressful, and they made many calls to sort things out. They were unhappy they could not review whether charges had been applied to their account after having missed repayments. Their main complaint point was that their account should have been defaulted around October 2023, in line with other creditors involved in their DMP. Instead, NatWest had recorded the account as in default on 30 April 2024.

Since the complaint was referred to our service, NatWest confirmed it had applied £7.22 in interest in December 2023, which it had now refunded. NatWest told our service it was not its fault the benefit payment had been paid into the joint account, causing it to stop the DMP process.

One of our Investigators reviewed Mr and Mrs T's complaint. Our Investigator said Mr and Mrs T referred their complaint about NatWest's actions prior to 24 November 2023, as they did not refer this complaint within six months of NatWest's final response on that date. NatWest had not consented to our service considering the complaint, and there were no exceptional circumstances that prevented them from referring that complaint sooner than

they did.

Mr and Mrs T accepted our service only consider the events covered in NatWest's final response of 21 June 2024. Having done so, our Investigator thought NatWest should amend its record of Mr and Mrs T's account to show it as in default from 31 March 2024. Our Investigator noted NatWest said it had refunded £7.22 of charges in December 2023 so it appeared no further refund was due.

So, our Investigator said we only had the power to consider NatWest's actions from 25 November 2023 onwards.

### **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 our Investigator explained, our service is not free to consider every complaint referred to us. Mr and Mrs T accept I cannot consider NatWest's actions prior to 24 November 2023, as they referred their complaint to our service more than six months after NatWest's final response. NatWest did not consent to our service considering the complaint and there were no exceptional circumstances that prevented them from referring the complaint sooner than they did. So, I cannot comment on any action NatWest took or failed to take before 24 November 2023. I have considered NatWest's actions since this date.

The Information Commissioner's Office (ICO) has produced guidance that says a default should be applied once three to six months of arrears have accrued. As our Investigator explained, this is not straightforward to decide given overdrafts are generally repayable on demand.

I have needed to review the account history from July 2023 onwards to work out when a default should have been applied. Here, neither Mr and Mrs T nor NatWest have said it was NatWest's error that caused the benefit payments to be paid into Mr and Mrs T's account. NatWest said it had to pause the DMP process, so it could not withdraw their overdraft and close their account until this was sorted out. This led to NatWest telling Mr and Mrs T on 14 November 2023 that it would remove their overdraft by 18 December 2023. And again, I can't comment on NatWest's actions prior to 24 November 2023 so I can't say whether it should have begun this process sooner than it did.

So, the overdraft became payable on 18 December 2023. I think NatWest should have recorded the account as in default within three to six months of this happening. Given NatWest knew Mr and Mrs T had entered into a DMP and had no reasonable prospect of repaying the outstanding balance in the short term, I think NatWest should have recorded the account as in default around three months after 18 December 2023. So, I think it would have been reasonable for NatWest to record the account as in default by 31 March 2024 and NatWest should amend its record to reflect this.

I know Mr and Mrs T say other creditors recorded their accounts as in default around November 2023, and this matter has understandably caused them stress. But I can only look at NatWest's actions from 24 November 2023 onwards. And having done so, I think their account should have been recorded as in default by 31 March 2023. This isn't a significant change from the date NatWest recorded, so I don't think this matter has had a serious impact on them that warrants compensation. I note NatWest refunded £7.22 applied to the account on 5 December 2023, so there are no further charges or interest to be refunded since 24 November 2023.

**Putting things right**

NatWest should amend its record on Mr and Mrs T's credit file to show their account as in default from 31 March 2024.

**My final decision**

I realise my decision will likely disappoint Mr and Mrs T. But I uphold this complaint and require National Westminster Bank Plc to do what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs T to accept or reject my decision before 13 February 2025.

Victoria Blackwood  
**Ombudsman**