

The complaint

Ms C complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) recorded her loan account as in default on her credit file.

What happened

My provisional decision of 11 June 2025 set out the background to this complaint:

“Ms C took out her loan ending 052 with NatWest in 2017. In 2020, due to the Covid-19 pandemic, Ms C lost her job and was unable to make her monthly loan repayments of £141.28 from around April 2020 and she contacted NatWest to defer her loan repayments.

NatWest agreed a deferral of loan repayments until July 2020. Through a debt charity, Ms C offered to make monthly repayments of £14.71 from around August 2020. NatWest said it issued a default notice on 2 September 2020 and issued a further formal demand on 4 November 2020. recorded her account as in default on 31 January 2021 and it was passed to a collections agency.

In 2024, Ms C discovered her account had defaulted, so she complained to NatWest. But NatWest didn't uphold Ms C's complaint, saying it had acted properly, so she referred her complaint to our service.

One of our Investigators reviewed Ms C's complaint but didn't uphold it. Ms C asked for an Ombudsman to review her complaint, so this has come to me for a decision.”

I then set out my provisional decision:

“I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm firstly sorry to read about the impact the Covid-19 pandemic had on Ms C and that she lost her job because of it. But I'm afraid I won't be doing as she wants and asking NatWest to remove the default from her credit file. I'll explain why.

The Information Commissioner's Office (ICO) states that, generally, when a customer is at least three months behind with their monthly payments, a default may be registered – this should be done when the account is no more than six months in arrears.

I have reviewed when Ms C last made a payment to his account to determine when it should have recorded the account as in default.

NatWest agreed a deferral of loan repayments from April until July 2020 – this means that whilst Ms C didn't have to make repayments during this time, she still had to repay the arrears after the deferral ended. Because of the guidance provided to businesses in July 2020, NatWest should have considered extending the deferral until the end of September 2020.

However, Ms C was working with a debt charity who let NatWest know she wasn't able to

repay the arrears once the deferral ended and was able to repay £14.71 a month from August 2020. This led to NatWest issuing a default notice in September 2020. In the circumstances, there was no evidence to show Ms C could bring the account up to date and repay the arrears within a reasonable time period. So, I think NatWest would still have been entitled to issue a default notice as it did on 2 September 2020.

It's not clear to me why it then took until 31 January 2021 to default the account. Given Ms C was making greatly reduced repayments through a debt charity, and there's no evidence to show her circumstances were due to improve significantly within the foreseeable future, I think NatWest should have defaulted her account sooner than it did. Six months of arrears had accrued by October 2020 and given NatWest issued a default notice on 2 September 2020, I would have expected a default to have been registered on or around 2 October 2020. Given Ms C was making payments through a debt charity, and there's no evidence to show her circumstances were due to improve significantly within the foreseeable future, I think NatWest should have defaulted her account sooner than it did and by no later than 2 October 2020 – I think this is a reasonable date to use.

I accept Ms C doesn't want her account to be as in default and thinks it's unfair a default shows on her credit file for as long as it does. But the ICO sets out that Shop Direct should ensure a person's credit file is an accurate reflection of the state of his account and our service cannot decide how long information should show on a credit file – the ICO does. NatWest says it sent the appropriate notices of sums in arrears and defaults but is unable to provide copies of these due to the passage of time. And if Ms C doesn't recall being notified of the impact to her credit file, or was incorrectly told there would be no impact, from making reduced repayments, it doesn't mean I would ask NatWest to remove adverse information. We wouldn't have asked NatWest to delay applying a default – delaying this can mean a firm does not stop applying interest and charges to an outstanding balance owed to it. A delayed default will also show on a credit file for more than six years.

Whilst I sympathise with the situation Ms C found herself in whilst out of work due to the pandemic, the guidance in place at the time doesn't mean that NatWest was obliged to delay defaulting the account once it became clear Ms C wasn't able to bring her account up to date (by repaying all the arrears) within a reasonable timeframe. Whilst the circumstances of her unemployment were outside of her control, it remains that NatWest was obliged to record any Missed repayments and her account as in default by 1 October 2020.

In conclusion, it wasn't Ms C's fault she was out of work, but NatWest was still obliged to default her account when it became clear she couldn't bring her account up to date. And our service has no power to decide how long the default should stay on her account for. It may be helpful for Ms C to know that if she accepts my decision, in amending the date of default, it should be removed from Ms C's credit file a few months sooner (by around 2 October 2026 rather than 31 January 2027).

Putting things right

NatWest should amend the date it recorded Ms C's account as in default on her credit file to 1 October 2020. As it appears NatWest sold Ms C's debt to a third party, it should liaise with the new debt owner to remove any interest or charges applied to the account since 2 October 2020 from the outstanding balance owed."

I then clarified with both parties that the default should be amended to 2 October 2020. NatWest agreed to my provisional decision but Miss C did not. Miss C explained why she didn't accept my provisional decision by telephone and I've listened to the recording of her call. In summary, Miss C said she didn't agree an amount with the debt charity – they explained the amount she could afford and put the offer forward on her forward on her behalf. Miss C also said she still didn't think the default should be recorded as it wasn't her fault she was out of work. Miss C also queried whether she'd receive a refund of some interest and charges and who her debt had been sold onto.

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, my provisional decision remains unchanged. However, I'll address the points made by Miss C.

It doesn't make a difference whether Miss C put forward the offer, or whether it was put through the debt charity. It remains that she was unable to maintain her repayments so NatWest was entitled to default her account. Whilst I sympathise with, and understand, the strength of feeling Miss C has about this matter, and it wasn't her fault she was out of work, the guidance in place at the time doesn't mean that NatWest was obliged to avoid defaulting the account once it became clear Ms C wasn't able to bring her account up to date (by repaying all the arrears) within a reasonable timeframe.

Putting things right

For the reasons explained above and in my provisional decision, I remain of the view NatWest should amend the date it recorded Ms C's account as in default on her credit file to 2 October 2020. As it appears NatWest sold Ms C's debt to a third party, it should liaise with the new debt owner to remove any interest or charges applied to the account since 2 October 2020 from the outstanding balance owed. Miss C's statements indicate a small amount of interest may have been applied after this date but it isn't possible to confirm this based on the evidence I have. If any interest or charges were applied after 2 October 2020, NatWest should be able to confirm this to Miss C and, if applicable, explain how it has removed those from the outstanding balance owed.

My final decision

For the reasons explained above, I uphold this complaint (in part) and require NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY to do what I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 23 July 2025.

Victoria Blackwood
Ombudsman