

The complaint

A limited company, which I'll refer to as E, complains that National Westminster Bank Plc has failed to compensate it fairly following an error made by the bank in wrongly reporting defaults to the credit reference agencies ("CRAs").

E is represented in bringing this complaint by one of its directors, Mr E.

What happened

In January 2023, NatWest agreed to provide E with an informal increase in its overdraft limit from £50,000 to £120,000. This increase was undocumented, because it was temporary.

The bank's systems continued to record the documented limit of £50,000. This meant that defaults were automatically reported to the CRAs from February 2023 until September 2023, unbeknown to E's NatWest relationship managers, who did not consider E to be in default.

In September 2023, Mr E became aware of the defaults on E's credit file and complained. The bank upheld the complaint and amended E's records with the CRAs to remove the default data. NatWest also refunded or waived £1,012 of fees and £2,671 of overcharged interest (because E had incurred some interest at an unauthorised rate).

The bank also agreed to formalise a £250,000 overdraft limit in order to meet predicted cashflow requirements and ensure no further defaults were reported.

Mr E asked the Financial Ombudsman to look into what had happened. He said that the bank's actions had left them unable to raise external finance for expansion, unable to lease new vehicles and had caused creditors to reduce or withdraw credit terms, resulting in the directors having to subsidise the business personally. He also said that the bank had profited from their error by increasing the debt owed to them.

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, I'm sorry to disappoint Mr E but I have reached the same conclusion as our investigator. The bank has admitted it made an error, but I don't think I can fairly ask it to do more to put things right, based on the evidence provided.

Because the bank has already upheld E's complaint and admitted it made an error, this question has already been resolved between the parties and I don't need to reconsider it here. My starting point is that NatWest should not have reported that E had defaulted, nor that it was in excess of its overdraft limit, for most of 2023. I also don't think there's a dispute that the bank has provided a fair refund for the additional bank charges and interest it charged because of its mistake.

E's complaint is now largely about consequential losses. I can also see that the bank

expressed a willingness to consider further claims for consequential losses, but ultimately concluded that E had not provided enough evidence of these.

E has mentioned various elements that could constitute consequential losses, chiefly loss of earnings and additional interest charges. It has also provided two copy invoices.

The matter for me now is to decide whether E has provided sufficient evidence of these losses. If it has, I would need to look at whether the bank's failings actually caused the consequential losses claimed for. And if they did, I'd also need to ask whether it would be fair to hold the bank responsible for the losses.

The problem here is that, although I think it's possible that E has incurred consequential losses as a result of the bank's error, E has failed, in my view, to provide evidence of this. E has provided some very limited examples of suppliers expressing concern and one saying no credit terms were available, but I don't consider these are enough to demonstrate a quantifiable loss.

When I first read the file, I gave E a further opportunity to provide more evidence to substantiate its loss. I realise that some of this is difficult to prove, but other elements that it has mentioned, such as contracts lost and suppliers changing their credit terms, I would expect to be relatively easy to show.

E has also provided a spreadsheet showing a projected loss of earnings for the period from February 2023 to April 2024, based on assumptions such as pre-covid turnover. I'm not persuaded it would be fair to direct the bank to pay this without further evidence showing that the losses are directly attributable to the bank's actions. I have been given no evidence of how accurate the "actuals" in these projections proved to be and I can see from the bank's records that E had failed to predict its future cashflow accurately in the past.

Alternatively, E has suggested that the amount by which the bank increased E's overdraft facility should be regarded as representing the amount of E's loss. But I am not persuaded this would be fair. The business clearly already had cashflow difficulties. In fact, this is why it needed the informal overdraft in the first place. This means it is very difficult to separate the impact of the bank's error from the impact of pre-existing trading difficulties.

E has provided two invoices for £12,000 each from a debt advisory firm that it considers the bank should pay. These haven't been explained, but I think they relate to the liquidation of two subsidiary enterprises. But it hasn't provided any evidence of exactly what services the invoices cover or that the work was a direct result of the bank's error. Neither am I satisfied that these costs were incurred by E, since the invoices are addressed to the liquidated companies. I don't think I can fairly direct the bank to pay them without proof that these costs were paid by E and were only incurred because of the default reporting.

I understand E's argument that the bank has profited from its own error, by providing an overdraft on which it is charging interest. But I think it's possible that E would have failed completely if NatWest hadn't provided the overdraft. I know E believes it wouldn't have needed the increased limit but for the bank's error. This is hard to prove and I accept it is possible that it might not have needed quite such a large limit. Nonetheless, I also think it's true that the bank has given E considerable support to keep trading, and it might not have been so flexible if it hadn't made the earlier error. Taking everything into account, I don't think it would be reasonable to expect the bank not to charge interest, given the risk it is taking by providing credit to E.

In addition to the consequential losses, Mr E has also said that the bank's error has had a lasting impact on E's credit file. He said Experian had told him that the file would remain

impaired, even though the bank said it had corrected the underlying data. I asked for evidence of Experian's statement and also for a copy of E's credit report to show this ongoing impact, but neither has been provided by E.

I think that part of the problem may be that defaults/ excesses over agreed facility limits and E's overall credit score are two separate things. Many factors feed into the latter. In the copy of E's Experian credit report that I do have (September 2023), I can see there are three "Key Score factors", which have led to E being classified as "maximum risk". Only one of those factors is the bank's incorrect reporting of E's current account as being in excess. The other two factors are nothing to do with the bank. And I have no information on any other factors that might have occurred since that date. My conclusion from this is that, even if E's current credit score is not as good as it has been in the past, I don't think this stems entirely from the bank's error.

I am tasked with resolving complaints with minimal formality. But my conclusions still need to be fair and reasonable in all the circumstances. In this case, I consider that would require more evidence than I've seen. For the reasons I've explained, I don't think I can fairly direct the bank to pay E any further compensation for the wrongly recorded defaults.

My final decision

For the reasons set out above, I do not require National Westminster Bank Plc to take any further action to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 14 August 2025.

Louise Bardell
Ombudsman