DRN-5761202

The complaint

Mrs M and Mr M complain about NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY ('NW') defaulting their accounts.

What happened

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality.

Mrs M and Mr M had two joint accounts ('Account A and B') with NW which had outstanding overdraft debt. Due to a change in personal circumstances in 2022 they were unable to meet their financial commitments and contacted a debt charity which helped them to setup a Debt Management Plan ('DMP').

Mrs M and Mr M complain that despite Account A and B being included in the DMP NW went on to default these. They say this is unfair and has made it difficult to obtain a mortgage.

A complaint about the matter was escalated to this service. Our investigator did not uphold it.

Mrs M and Mr M referred the matter for a final decision. In summary, they say the debts were placed in the Debt Respite Scheme ('DRS') and NW has not complied with this. They also say:

'We have not seen any evidence that NatWest applied to, or have been given permission by the debt advisor or the courts for the debts to be removed from the protection of the breathing space.'

The matter has now been passed to me to consider.

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.

I am sorry to hear about the situation Mrs M and Mr M have described with their finances. I won't comment on everything the parties have said – only what I consider to be material to this complaint. I don't mean this as a discourtesy, it simply reflects my informal remit.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulators' rules, guidance and standards, codes of practice and (where appropriate) what I consider having been good industry practice at the relevant time. In the particular case here, concerning the registration of defaults I consider the guidance issued by the Information Commissioner's Office ('ICO') around the registration of information on credit files (including defaults) to be particularly relevant.

I note Mrs M and Mr M have mentioned that to allow them to organise a debt solution they were placed in a DRS during October 2022. And they claim that NW's actions were in

breach of the DRS. While actions taken during the DRS are potentially relevant contextually, I want to underline that the complaint I am addressing is not allegations of non-compliance with the DRS. The complaint I am considering (and the central issue here) is that covered by NW's Final Response letter in May 2025 - namely whether it was fair and reasonable for NW to register defaults in respect of Account A and B.

Was NW registering defaults an accurate reflection of each account status?

The ICO explains that credit files need to be an accurate reflection of account status at the time, and that the recording of a default is reflective of the relationship between the lender and the borrower having broken down. It might occur when the borrower has difficulty repaying a debt over a prolonged period – usually 3-6 months.

In this case there appears to be no dispute that Account A and B had been overdrawn consistently for a sustained period and that in 2022 Mrs M and Mr M were having difficulty paying this back alongside their other debts.

It also does not appear to be in dispute that because of Mrs M and Mr M contacting a debt charity and entering into a DMP, NW were contacted in November 2022 with an offer to repay the outstanding overdraft debt at a token payment of £1 a month (for each account) under the plan. As a result NW withdrew the existing overdrafts and began a process which eventually led to the accounts being defaulted.

It appears the debt owed under Account A at the time the DMP was setup in November 2022 was around £750 and under Account B it was around £335. So it would have been clear to NW at the time they received the information about the DMP that any repayment proposal was unlikely to result in repayment of the debts within a period of six years – and was much more likely to take in excess of ten.

The ICO states where an unacceptable or token payment is offered a default may be recorded. Furthermore, it does not prohibit the registration of a default where there is a DMP arranged.

In the particular case, it would have been clear to NW that Mrs M and Mr M were unable to clear the arrears anytime soon – and that repayment under the DMP was likely to take a considerable time. Because of this, on the face of things, it was not unreasonable for NW to reflect the account status as in default. This would also mean any adverse reporting on the credit files in respect of the accounts would not go on for an excessive period.

It could be argued that even though the DMP started with a token payment of £1 for each account – this could feasibly have changed and meant the debt solution would not leave Mrs M and Mr M in a state of persistent arrears. However, at the time the defaults were registered I don't think there was information available to NW that indicated Mrs M and Mr M's token payments were likely to increase significantly. Furthermore, I note that when the default for Account A was registered it had already been around six months since the DMP was setup and the account had only been serviced by payments of around £1 a month. And although Account B had been defaulted around two and a half months since the DMP was set up I note that it had been serviced by a payment of around £1 a month for around six months before payments increased (and then only to £5). So in the round I don't think registering defaults for both accounts is an inaccurate reflection of the account status at the time. And even if it could be argued NW should have waited a bit longer to register a default (say in respect of Account B in particular) – it wouldn't now be fair to bring that default forward as it will remain on the credit file for longer.

Is there some other reason it wouldn't be fair to reflect the accounts as defaulted?

I note Mrs M and Mr M point out that Account A and B were subject to a DRS and because of this NW's actions are unfair.

The main aim of a DRS is to prevent a debtor carrying out enforcement or collections activity for the period of said DRS – or adding further fees or charges to the debt during said time. However, this doesn't prevent all action in respect of a debt – including statutory processes in line with the Consumer Credit Act 1974 or contacting a debtor with information that might be useful.

My starting point here is the information from the debt charity advising Mrs M and Mr M shows the accounts were subject to the DRS from 22 October 2022 to 20 December 2022. I note Mrs M and Mr M indicate the court or debt advisor had to 'release' the accounts from the DRS before NW was able to do anything in respect of Account A and B. But I don't consider there to be persuasive information to show this is the case. A DRS usually lasts 60 days – and in this case I am persuaded it ended on 20 December 2022. With this in mind, I note system information from NW shows that both accounts were defaulted by it after the DRS had ended. Account A on 30 April 2023 and Account B on 31 January 2023. Therefore, I don't think NW has acted unfairly in this regard. Nor do I think the existence of the previous DRS fairly prevented it from registering defaults in the circumstances here.

I note Mrs M and Mr M point to NW corresponding with them in November 2022 (during the DRS) showing it had started the process of removing the overdrafts and calling in the debts for repayment. This communication appears to have been triggered because of the debt charity contacting NW about putting the accounts into the DMP.

It is arguable as to whether the action taken by NW at the time (including the nature of the communication) goes against the DRS. However, I don't think that is material here, as even if I were to accept this action went against the requirements of the DRS it doesn't change the outcome to this complaint in any event. I say this because even if NW delayed certain actions until after the DRS – the result likely would have been the same. Ultimately, the accounts would have been defaulted in any event due to their inclusion in the DMP which was servicing each debt by a token payment since November 2022. Regardless of the process which NW took (and what correspondence Mrs M and Mr M did or didn't receive) I don't see how it would have reasonably resulted in the accounts avoiding default status noting the nature of the repayment plan here and the persistent state of arrears resulting from it.

Once again, I am sorry to hear about the financial difficulties Mrs M and Mr M have experienced. But, overall, I don't think it fair that I now tell NW to remove the defaults. In summary, I consider these to be an accurate and fair reflection of the account status at the time.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 22 December 2025.

Mark Lancod
Ombudsman