

The complaint

Miss G is unhappy The Royal Bank of Scotland Plc (RBS) would not reinstate the payment plan for her personal loan. Miss G is also unhappy with RBS's service.

What happened

I issued my provisional decision to both parties explaining why I thought Miss G's complaint should not be upheld and invited both parties to provide any further evidence and / or submissions in reply.

The background to this complaint was set out in my provisional decision together with my provisional findings which are both copied below and now form part of this final decision.

Background

Miss G entered into a payment plan for her loan with RBS at the end of November 2023. The plan was intended to be for 24 months, to start on 2 January 2024 with payments of £257 to be made on the first of each month until the final payment of £252.20. A standing order was set up to take payments.

In August 2024 Miss G's standing order was cancelled, and so the next required payment under the plan was not made when it was due on 1 September 2024.

Miss G made a payment to the account on 30 September 2024, but no further payments were made to the account after that.

On 20 October 2024 RBS issued a Notice of Default to clear the arrears of £1,291.35 by 23 November 2024.

Miss G spoke with RBS on 28 October 2024 to reinstate the payment plan. RBS explained that to consider this they needed an up-to-date income and expenditure (I&E) form. Miss G submitted one while on the phone, but RBS concluded it was not possible to set up a payment plan again for Miss G given the figures provided.

Miss G raised a complaint and RBS addressed this on 5 November 2024, with follow up letters endorsing their position. They upheld Miss G's concerns about their service during the call on 28 October 2024, but not on any other points including Miss G's request to reinstate the payment plan.

On 23 November 2024 RBS wrote to Miss G to say the full outstanding balance was now due by 3 December 2024. RBS later went on to report Miss G's account as defaulted to the credit reference agencies (CRA) and passed her account to a debt collection agency to collect the outstanding sum on RBS's behalf.

Miss G's last payment to the account was made on 30 September 2024 for £257.

Our Investigator did not uphold Miss G's complaint. They concluded RBS had, in the

circumstances, acted fairly. Miss G strongly disagreed. Miss G said she had the funds available to have managed a payment plan and shared that the whole matter had caused her a significant degree of stress affecting her physical and mental wellbeing.

Provisional findings

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

The parties should note my considerations are limited to the complaint that was raised with RBS and to which they responded on 5 November 2024.

I've only included a summary of what's happened above, and while I may not respond to every point each party has raised, I have reviewed all the submissions available and focused on what I consider relevant to reaching a fair and reasonable resolution in this matter.

To reach a fair and reasonable decision I have taken into account any relevant law and regulations, regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

It is not my role to fine or punish a firm, or to interfere with a firm's systems, processes or controls – these are all considerations for the appropriate regulator.

At the heart of this matter are Miss G's concerns that she was unable to reinstate her payment plan, which in turn has led to her account being reported as defaulted to the CRAs.

Neither party have confirmed the exact date Miss G's account was reported as defaulted to the CRAs, although it seems both parties agree this is what happened. I find it more likely than not it was reported after 9 December 2024. I say this because RBS's letter to Miss G on this date sets out that failure to find a resolution for Miss G's account may result in a default marker being placed on her account. So for the purposes of this provisional decision I have taken it that the default was placed on Miss G's credit file after 9 December 2024.

On this basis I think RBS were entitled to report Miss G's account as defaulted to the CRAs.

The industry recognises, as guided by the Information Commissioner's Office's (ICO) principles for the reporting of arrears, arrangements and defaults to CRAs, that a creditor can report an account as defaulted when the debtor is three months in arrears and normally by the time the debtor is six months in arrears.

The ICO's principles do set out that where an arrangement is in place this can prevent a default from being reported, unless the arrangement is broken.

It is not in dispute that Miss G's arrangement was broken. By mid-December 2024 Miss G's account was more than three months in arrears, and had been in arrears for some time. So RBS were entitled to report Miss G's account as defaulted to the CRAs.

I've also considered whether, in the circumstances, it was fair of RBS to do so.

The arrangement was broken because payment was not made to the account in September 2024 when it should have been.

I understand Miss G's payments under the arrangement had been made via a standing order and that Miss G says RBS wrongly cancelled the standing order due to some confusion when she called about obtaining a settlement figure for the account.

I've listened to the call in question, but I'm unable to agree RBS cancelled the standing order through any error on their part. I say this because at first Miss G asked RBS to cancel the standing order, but then shortly after said she had taken care of it already. So I can't reasonably say RBS were at fault here.

I can see RBS made several attempts to engage with Miss G through September 2024 asking Miss G to get in touch with them about the missed payment on her account. Communications were sent via text, email, letter and on occasion attempts were made to call Miss G.

It seems likely these communications prompted Miss G to make a manual payment to the account on 30 September 2024. However, the next payment which would have been due under the plan had it continued would have required payment on 1 October 2024 and this was missed, RBS therefore began to contact Miss G again to get in touch with them.

However, Miss G did not get in touch with RBS until 28 October 2024 after the Notice of Default letter was sent on 20 October 2024.

RBS explained to Miss G during the call on 28 October 2024 that they could only set up another plan if a new I&E was completed. I don't think, in the circumstances, this was unreasonable. The last I&E on record had been completed in August 2022, so it would have been responsible for RBS to understand Miss G's up to date financial circumstances to ensure she could afford and sustain a new payment plan – particularly as the first plan had broken in less than a year and this was not the first time Miss G had struggled with payments to the account.

Miss G submitted new income and expenditure figures while on the 28 October 2024 call, which showed her to have a surplus of £248.67 at the end of each month. It was confirmed in the call that Miss G's I&E assessment did not include the original contractual loan payment of £226.30, so this still needed to be taken into account along with an additional sum to contribute to repaying the outstanding arrears each month.

Miss G said she wished to pay £257 a month again, as per the original arrangement plan, but RBS noted that the figures needed to be looked at again after the plan broke as this would have altered the outstanding balance / arrears, and on review they concluded it was not possible to set up a plan for Miss G based on the figures from the new I&E.

Miss G reworked the I&E figures while on the phone to try and fit what she believed was needed, and produced a monthly disposable income of around £268. But RBS maintained this was not enough to set up the plan still, and they let Miss G know it wasn't possible for the I&E to be manipulated in order to create a plan – RBS's processes did not work that way.

I have considered Miss G has said that making continued payments of £257 would have allowed her to clear the outstanding balance and arrears within 24 months, as would payments of £268. A 24-month plan would have done this. However, Miss G's original plan which she wanted reinstated – at the time of the call on 28 October 2024 – would have ended on 1 November 2025, therefore there would have been 12 months remaining at that point. Neither payment would have cleared the outstanding balance within that time – and Miss G's original surplus of £248.67 even less so.

As mentioned earlier, RBS would also be required to ensure the affordability and sustainability of the plan and I don't think it would have been reasonable for all of any disposable income Miss G may have had to be used towards the loan, given this would have left Miss G with little financial room at the end of each month for any unexpected costs.

I've therefore not seen enough to say RBS were unreasonable in declining Miss G's request to reinstate her plan at that time.

Miss G was on the phone for over two hours when she spoke with RBS on 28 October 2024, and it is clear the conversation between RBS's collections department and Miss G deteriorated with Miss G ending the call. There is some suggestion an attempt to call Miss G back was made, but that Miss G did not wish to engage further at that time.

No further discussion therefore took place to determine how Miss G could take things forward with her account.

During the call on 28 October 2024 Miss G had raised a complaint and RBS responded to this on 5 November 2024. RBS's letter invited Miss G to contact the collections team to discuss how she was managing her accounts, and let her know about other support available.

Miss G continued to engage with RBS in relation to their response about her complaint, and RBS's subsequent letters to Miss G each time endorsed RBS's position and reminded her to contact the collections team to discuss the possibility of a plan. RBS's follow up letters were sent to Miss G on 15 November 2024, 9 December 2024 and 11 December 2024.

In the midst of this Miss G was issued with a formal demand letter dated 23 November 2024 which let her know that the total amount outstanding on her account (£3,594.46) was now due before 3 December 2024. The letter included where to call if she could not do this, what may happen if the balance was not repaid and where to go for help and advice.

RBS have a record of an I&E form from 8 November 2024 which showed a surplus of over £700; although RBS did not have sufficient details of the income and outgoings behind the figures provided and had concerns about the level of surplus given what they already knew from Miss G's bank account that she held with them showing a reliance on the overdraft.

So RBS continued to ask that Miss G contact them to go through things in more detail. In the circumstances I don't think that was unreasonable.

Setting aside what was discussed on 28 October 2024 and that Miss G felt confident she could return to the monthly payment under the original payment plan, I think RBS made reasonable attempts following the 28 October 2024 call to try and engage with Miss G again to better understand her income and outgoings, particularly as Miss G made no further payments to the account.

Arrangement plans are not always agreed for someone - a responsible lender is required to ensure the affordability and sustainability of any arrangement plan they may agree for a customer over a reasonable period of time.

RBS's position was that the figures for Miss G's I&E from the call on 28 October 2024 were not enough for them to agree a new plan for Miss G, and the figures from 8 November 2024 did not provide RBS with enough information. In either case RBS determined further understanding of Miss G's income and outgoings was warranted which required engagement with Miss G.

I realise Miss G was under much pressure during the course of these events, but I must also consider that Miss G would have been more likely than not aware of RBS's requests to contact their collections team as she responded to RBS's letters which said this is what she would need to do. As I've said, I do not think RBS were unreasonable to want to engage with

Miss G again about her income and outgoings to see if there was a reasonable way forward.

I've therefore not seen enough to say RBS treated Miss G unfairly by taking the step to report her account as defaulted, given their call on 28 October 2024 had determined Miss G was not in a position to take on a new payment plan and there was no further engagement to discuss things in any more detail.

I've lastly considered some of the service issues Miss G has raised including that RBS's phone number on their Notice of Default letter did not put her through to the right department; that RBS were unable to send Miss G a settlement figure for her loan by email and in particular, the call with RBS on 28 October 2024.

I've considered all of this and, given Miss G's submissions, I have no doubt these interactions with RBS caused her much frustration.

RBS have already taken away Miss G's feedback about the phone number on their letter as they could not understand why that had happened – although they were able to put Miss G through to the right department without further delay. RBS apologised for this, and in the circumstances I think that was fair.

RBS's systems did not allow them to email Miss G the settlement figure, but they gave her the sum required over the phone and confirmed it would be valid for 28 days. RBS told Miss G she could also capture the information from the app if she needed something 'in writing' sooner than the postal service would allow for, but Miss G explained this wasn't working which RBS apologised for as they weren't sure why that was. As I've said, I'm unable to interfere with RBS's systems, processes and controls, and in the circumstances I think RBS's actions were not unreasonable.

And as noted earlier, RBS have already recognised the call with Miss G on 28 October 2024 fell short of their expected level of service.

Having listened to the call, the conversation between Miss G and the RBS agent did deteriorate significantly, and there is no doubt this interaction with RBS caused Miss G much distress and inconvenience.

I've considered whether RBS's offer of £150 to reflect what happened on the call is fair in the circumstances, taking into account how our service approaches awards of this nature. It is not easy to put a price on how something has impacted someone personally, so I say this with no intention to underestimate or be dismissive of the personal information Miss G has shared, but in the circumstances I think the £150 RBS have paid is fair. So I'm not going to ask RBS to do any more here.

Responses to my provisional decision

RBS replied to my provisional decision to say they had nothing further to be considered.

Miss G disagreed with the provisional decision, making the following points which I've summarised here:

- 1) Miss G questioned why a Notice of Default had been issued on 20 October 2024 when at that time no payment had been missed.
- 2) The call on 28 October 2024 was a disgrace as some sort of error had led the agent to believe £268 a month would not clear the loan, despite this being a higher payment than under the previous arrangement.

- 3) RBS reported the account as defaulted despite the Financial Ombudsman Service setting a deadline of 4 April 2025. She had explained to RBS that doing this was likely to affect her ability to practice as a solicitor. RBS hadn't explained why they ignored the Financial Ombudsman Service.
- 4) Miss G said she had been trying to resolve the issue, but RBS then took inappropriate and disproportionate action. Miss G said RBS had shown no care towards her despite making them aware of the potential impact their actions could have and says she is now no longer employed or able to practice as a solicitor.

Miss G also said she was contemplating a DSAR as RBS are at best consistently negligent, but she believes this all stems from a previous complaint that was previously upheld by the Ombudsman.

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 reviewed Miss G's complaint once more, taking into account her most recent submissions, I have not seen enough to persuade me to depart from the conclusions I reached in my provisional decision as I'll explain.

Miss G has expressed concern about the timing of the Notice of Default issued on 20 October 2024 as she says no payment was missed.

The Notice of Default was issued due to the arrangement plan breaking as the required payment for September 2024 was not made when it fell due, and although a payment was made at the end of September 2024, the next payment due on 1 October 2024 was missed. The reason for the arrangement plan was because Miss G's account was already in arrears due to earlier missed payments as a result of payment breaks.

As I set out in my provisional decision, where an arrangement is in place it can prevent a default being reported, unless the arrangement is broken. This is unfortunately what happened here. Miss G's arrangement was broken after August 2024 when payments were then not made as they fell due and the account was already several months in arrears - so it was not unreasonable for RBS to have issued the Notice of Default when they did.

Neither party have confirmed when a default was reported against Miss G's account in reply to my provisional decision, or disputed the assumption that one was reported sometime after 9 December 2024, and Miss G's last payment towards the account was on 30 September 2024. In which case, I think it's fair to say the threshold for the number of arrears to accrue had been met prior to the default being reported.

Miss G states she was able to continue payments towards an arrangement and RBS were in the wrong to say she could not afford a plan going forwards.

I realise this point is important to Miss G and is frustrating for her, but I've not seen anything new to persuade me to alter the findings I reached in my provisional decision.

For reasons I explained in my provisional findings, I did not think it was unreasonable for RBS to seek a better understanding of Miss G's circumstances to ensure she could sustainably afford a plan. Furthermore, there is nothing to support that Miss G took reasonable steps to mitigate her situation by making the payments she says she could

towards the outstanding balance, so it is possible Miss G was not in the financial position to do so. Taking everything into account there is not enough here for me to say RBS have, in the circumstances, acted unfairly.

Miss G has said that RBS did not act in accordance with this service's instructions. However, it may help to set out that while this service may request a firm to pause taking any action while a complaint is being considered, this service does not have the authority to stop a firm from reporting a default or prevent a firm from continuing with their collections process. Although I note RBS did place a hold on their collections, and it is likely the default was already reported. There's therefore not enough here for me to say RBS have done anything wrong in this regard.

I am sorry to learn of the situation Miss G says she has found herself in with regards to her employment. I am sure this cannot be easy for her. My role here is to consider what is fair and reasonable to both parties, and in the circumstances, on balance, I think RBS acted reasonably in their attempts to engage with Miss G about her account. I note Miss G's submission that she may request a DSAR and that is in her hands to do so if she wishes. There is still a debt outstanding, and given Miss G has described a significant change in her circumstances, I remind RBS to treat Miss G fairly with forbearance and due consideration going forward.

My final decision

I realise this is not the outcome Miss G was hoping for, but for the reasons above, my final decision is that I do not uphold Miss G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 10 December 2025.

Kristina Mathews
Ombudsman