

The complaint

Mr D is unhappy that National Westminster Bank Public Limited Company (“NatWest”) refused to agree a reduced payment plan with him and instead defaulted his personal loan.

What happened

Mr D had a personal loan with NatWest on which he was contractually required to make payments of £468.59 per month. Mr D met his contractual payment requirements until May 2024, when his direct debit payment for that month was returned unpaid.

NatWest tried to contact Mr D via several channels on numerous occasions, but without success. And after not making the May 2024 loan payment, Mr D also missed the June, July, and August 2024 payments, such that his loan fell four months into arrears. This led NatWest to issue a default notice to Mr D on 13 August 2024.

Following the issuance of the default notice, Mr D contacted NatWest and explained that he was in financial difficulty. Mr D then provided his income and expenditure details to NatWest and asked for a reduced payment arrangement on the loan. However, NatWest chose not to provide a reduced payment arrangement to Mr D and instead proceeded to default the loan. Mr D wasn't happy about this, or about the fact that he was later contacted by a solicitor regarding the loan debt on NatWest's behalf. So, he raised a complaint.

NatWest didn't feel that they'd done anything wrong by defaulting Mr D's loan or by not agreeing to a reduced payment plan when Mr D requested one. But NatWest did apologise to Mr D for not being clearer in their communication with him, including notifying him in advance that his account would be passed to their solicitors, and for not replying to letters he'd sent them. NatWest offered £80 to Mr D as compensation for these service errors, which Mr D didn't accept. Mr D wasn't satisfied with NatWest's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt the response to Mr D's complaint that NatWest had issued, including the offer of £80 compensation, already represented a fair resolution to what had happened. Mr D didn't agree, so the matter was escalated to an ombudsman for a final decision.

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.

In his correspondence with this service, Mr D has detailed the very difficult personal circumstances that he was dealing with at the time that he missed the payments in question. It's only natural for me, on a personal level, to empathise with Mr D, given what he'd explained. However, in my professional capacity as an ombudsman I have to remain impartial, and in doing so I must consider the fact that Mr D didn't make NatWest aware of his personal circumstances until his loan was four months into arrears and after a default notice had been issued.

When a loan provider such as NatWest is informed by an account holder that they are experiencing difficult personal circumstances, that loan provider is generally expected to consider providing forbearance to that account holder. However, the forbearance options that a loan provider can consider is dependent on the wider circumstances of the loan at the time that the account holder engages with them.

It's generally expected that loan providers will administer a loan with relevant industry guidance in mind. This includes guidance from the Information Commissioner's Office ("ICO") which states that a loan provider should generally consider defaulting a loan after it had fallen three months or more into arrears, but before it has fallen more than six months into arrears. This is to prevent a loan remaining in arrears for a prolonged period, during which time interest and charges will accrue and the outstanding debt will grow beyond reasonable control.

In this instance, when Mr D did speak with NatWest, he asked them to agree to a reduced payment plan. But crucially, Mr D's loan was already four months in arrears at that time, which meant that there was very little 'wriggle room' left before the loan fell six months into arrears.

When Mr D completed his income and expenditure assessment with NatWest, it showed that he had available surplus income of £264 per month. But Mr D's contractual loan payment was £468.59 per month. This meant that even if NatWest accepted the full £264 from Mr D as a monthly payment (which in practice they wouldn't do, as they'd generally be expected to leave some surplus amount to Mr D), Mr D's loan would still fall a further £204.59 into arrears each month, so that after five months of such a plan, his loan would have fallen six months of arrears.

The question then becomes, could Mr D reasonably improve his financial position before his loan fell six months into arrears, so that he could resume making his contractual payments of £468.59, *and* make additional payments to reduce the arrears that had accrued on the account.

Upon consideration, I feel that the answer to that question was clearly, 'no', given the financial difficulty that Mr D has described – and which it's my understanding still affects him to this day.

It therefore seems, in this scenario, that the defaulting of Mr D's loan was unfortunately inevitable. I say this because I feel that it wasn't likely that Mr D would have been able to recover his financial position to avoid his loan falling six months into arrears with the likely prospect of falling further into arrears. And given the ICO guidance referred to previously, I would almost certainly have considered NatWest to have acted irresponsibly towards Mr D if they didn't default his account at such a time.

Accordingly, given that it seems inevitable that Mr D's loan would be defaulted in the near future, there seems little benefit in delaying the default. Indeed, because NatWest pre-emptively defaulted Mr D's loan when they did, rather than waiting for the inevitable to happen, Mr D has a default with an earlier date than would otherwise have been the case. And given that a default remains on a credit file for six years, this means that it will fall from Mr D's credit file earlier as well – which may be of benefit to Mr D in the future.

Of course, given the difficult personal circumstances that Mr D experienced, it's entirely understandable why he didn't contact NatWest for several months. But that doesn't mean that NatWest have treated him unfairly. Rather, in my opinion, it's unfortunately the case that NatWest were restricted in what they could reasonably do here because of Mr D's financial difficulty and the fact that when Mr D spoke with them, his personal loan was already four

months in arrears.

All of which means that I don't feel that NatWest have acted unfairly towards Mr D by not offering him a payment plan and instead moving to default the loan. Indeed, given what I've explained, I'd almost certainly consider NatWest to have acted irresponsibly towards Mr D if they did agree a reduced payment plan with him, which would almost certainly have resulted in his loan falling more than six months into arrears.

Mr D is also unhappy that NatWest passed his defaulted loan debt to a solicitor who then contacted Mr D on NatWest's behalf. NatWest have a right to try to recover the money that Mr D owes them, and so I don't feel that their engaging a solicitor is unfair. But I do feel that NatWest should have been clearer in their communication with Mr D that this would happen, so that he was expecting the solicitor to contact him.

NatWest have accepted this point and have apologised to Mr D and offered £80 compensation to him. This seems fair and reasonable to me, given that this compensation isn't being offered to Mr D for what NatWest have done – which as explained, I feel was unfortunately most likely inevitable, and not unfair – but for not clearly updating and communicating with Mr D. And I confirm that NatWest's offer is commensurate with what I might have instructed NatWest to have paid Mr D here for these service issues, had they not already offered to do so.

Accordingly, while I will be upholding this complaint in Mr D's favour, I'll be doing so only a limited basis to formally instruct NatWest to pay the £80 to Mr D that they've already offered to pay. And I won't be issuing any further instructions to NatWest beyond that.

I realise this won't be the outcome that Mr D wants, but ultimately I don't feel that NatWest have acted unfairly towards him by following the process that they did, for the reasons explained above. I hope that Mr D will understand, given what I've explained, why I've made the final decision that I have.

Putting things right

NatWest must pay £80 to Mr D.

My final decision

My final decision is that I uphold this complaint against National Westminster Bank Public Limited Company on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 December 2025.

Paul Cooper
Ombudsman