

The complaint

Mr O complains that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY (NatWest) failed to accept a revised repayment arrangement, when he was struggling with his loan repayments across two loans.

What happened

Mr O holds two loan accounts with NatWest. In January 2025, due to some arrears that had accrued on his accounts, NatWest carried out an income and expenditure assessment (I&E). Following this, a repayment plan was agreed across the two loans to help keep Mr O's repayments up to date, and to start repaying some of the arrears that had accrued.

In June 2025 however, due a to a change in circumstances, the above plan failed, so Mr O approached NatWest again to agree to a further arrangement, but NatWest refused. Unhappy, Mr O complained.

NatWest responded. They said they had completed an I&E in January 2025, and Mr O agreed to repayments that the I&E showed to be affordable. They said that in June 2025, Mr O stopped making the repayments, and in August 2025, requested a further arrangement be put in place. But NatWest said that by this time, Mr O had entered into eight previous arrangements which had failed, and this far exceeded the normal level of arrangements they would consider agreeing to – which was three. So, they felt the right thing to do now was to default Mr O's loan accounts, given his inability to maintain his repayments in line with the contracts. Unhappy with this response, Mr O brought his complaint to our service.

An investigator considered Mr O's complaint but ultimately didn't think the complaint should be upheld. He said, in summary, that Mr O had struggled with his repayments dating back as far as 2022 when both of his accounts had entered collections. And that around eight plans had been entered into and not maintained, which far exceeded the three that NatWest had evidenced they would normally allow. So ultimately, he didn't think it was unreasonable for NatWest to refuse a further plan at this stage.

In respect of defaulting Mr O's accounts, the investigator said that if NatWest were to do so, that around March and May 2023 would have been the right time to have issued the two default notices. So, he thought that any defaults NatWest were now looking to report to Credit Reference Agencies (CRAs) should be backdated until the month after those notices would have expired.

NatWest agreed, but Mr O remained unhappy and maintained that it was unfair for NatWest not to accept a further arrangement.

So, as the parties remain in dispute, the case has been passed to me, an Ombudsman, to decide.

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, and while I accept this may be disappointing for Mr O, I've reached the same conclusions as the investigator, and for broadly the same reasons.

When Mr O initially started struggling with his repayments, his accounts went into collections in late 2022. And since that time, it seems that around eight repayment arrangements have been agreed to, that have subsequently failed. NatWest has shown our service that they would normally allow no more than three repayment plans on a customer's account before such a matter was escalated.

The Information Commissioner's Office (ICO) sets out the principles for the reporting of arrears, arrangements and Defaults at CRAs. And they state:

"If an arrangement is agreed (see Principle 3 above), a default would not normally be registered unless the terms of that arrangement are broken."

Given the above guidance, and the fact that around eight previous repayments plans NatWest agreed to were broken, in the circumstances, I don't think it unreasonable for NatWest not to have agreed to a further plan at this stage.

NatWest has told our service that they think the right thing to do now, in the circumstances, is to default Mr O's accounts.

Having looked at the history of Mr O's accounts, he fell into difficulty in late 2022, and by March 2023, was around five to six payments in arrears on his first loan. And by May 2023, he had reached around six payments in arrears on his second loan. And despite making an arrangement in October 2022, the payments agreed weren't made. A further review was carried out in January 2023, but this showed Mr O to have no disposable income available to use to enter into a further plan. So, I think it should've been clear to NatWest around this time that Mr O was not just in a position of short-term difficulty, and it was unlikely he was going to be able to recover the arrears on his account within a reasonable period of time.

The ICO guidance referred to above sets out that:

"If you fall into arrears on your account, or you do not keep to the revised terms of an arrangement, a default may be recorded to show that the relationship has broken down. As a general guide, this may occur when you are 3 months in arrears, and normally by the time you are 6 months in arrears."

Therefore, taking into account the above guidance, and given that I'm satisfied NatWest had already made attempts to enter into repayment plans with Mr O that had subsequently failed; and, given the level of arrears that had accrued by early 2023, I don't think it would be unreasonable for NatWest to look to default Mr O's account based on those dates, which is what NatWest has told our service they intend to do. This would also mean that any interest or charges accrued on the accounts since those dates would be backdated and removed back to the date of the defaults, which answers Mr O's later concerns.

So, for the above reasons, I don't intend to interfere with NatWest's intentions to default Mr O's account, and I'm satisfied what NatWest has done so far is reasonable in the circumstances.

My final decision

My final decision is that I do not uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 30 April 2026.

Brad McIlquham
Ombudsman