

complaint

Mr B is unhappy that National Westminster Bank Plc removed his overdraft and defaulted his bank account.

background

NatWest emailed Mr B in June 2016. It told him his “Student” account would become a “Graduate” account in July 2016. The email said Mr B would keep his interest-free overdraft limit of £2,000 for one year after the change, and his limit would then reduce to £1,000 for the second year. The email contained Mr B’s new account terms.

Mr B paid off £1,000 of his overdraft by August 2017. He thought he needed to repay the remaining £995 by August 2018. But when Mr B went to pay off his overdraft in July 2018, he discovered NatWest had closed his account.

NatWest said the terms of Mr B’s account meant he had to use it as his main account and it needed to receive regular credits. But Mr B hadn’t used the account since July 2017. Because Mr B wasn’t paying anything into his account and he had an overdraft, NatWest referred the account to its collections department in January 2018. NatWest then wrote to Mr B until May 2018 at his last known address, his parents’ house, and tried to call him. NatWest then defaulted Mr B’s account and passed it to a third party in July 2018. And it told Mr B to contact the third party to make repayments. Once the balance had been repaid, NatWest said it would update his credit file to show the account was fully satisfied.

Unhappy with NatWest’s response, Mr B referred his complaint to our service. Mr B said he’d told NatWest he moved abroad and tried to change his address online several times. But NatWest had told Mr B he couldn’t change his address this way and would need to phone the bank. Mr B didn’t want to do this because calling from abroad is expensive. Mr B says NatWest should’ve known he would pay the amount owed by July 2018 as he’d logged into the bank’s mobile banking app.

One of our investigators reviewed Mr B’s complaint but didn’t uphold it. He didn’t think Mr B had followed the terms of his account, which Mr B agreed to when he opened it. NatWest tried to contact Mr B on a number of occasions and it wasn’t obliged to email Mr B. Our investigator explained NatWest was obliged to report correct information to credit reference agencies.

Mr B disagreed, saying there should be some leeway with his credit file as his account was closed in July 2018, and he still repaid his overdraft later in July 2018. He said he was never made aware he needed to use his account. He assumed the letters received at his parents’ house were statements and said NatWest could have emailed him.

my findings

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’ve not upheld Mr B’s complaint. I realise my decision is likely to disappoint him, but I’ll explain my reasons.

The terms of both Mr B’s student and graduate accounts required him to use the account as his main account by depositing his wages or regular income into it. This term was sent to Mr B when his account changed from a student to a graduate account, so I think NatWest

took reasonable steps to make Mr B aware he had to credit his account regularly. I've reviewed Mr B's account history and he stopped making regular credits to his account in July 2017. So I think NatWest is right in saying Mr B was in breach of the terms of his account. NatWest wasn't obliged to wait and hope Mr B would repay his overdraft by July 2018.

I don't think NatWest's email of July 2016 told Mr B his overdraft didn't need to be repaid until July 2018. The terms of Mr B's account set out that his overdraft is not for a fixed period of time and NatWest can decide to end the arrangement ask for the overdraft to be repaid, in full, at any time if it has a valid reason. NatWest say it will usually give at least 30 days' notice before it demands repayment. NatWest can also close an account by giving 60 days' notice. In this case, I'm satisfied NatWest wasn't obliged to offer the overdraft until July 2018. And as Mr B was in breach of the terms of his account by not regularly crediting it, I think NatWest had a valid reason to ask Mr B to repay the overdraft in full.

Several months after Mr B stopped paying into his account, NatWest wrote to him at this last known address. I know Mr B was concerned about the cost of calling from abroad – but it is for NatWest to decide how to safely protect its customers' accounts, and a requirement that a customer call them to change their address doesn't seem to be an unreasonable one. It remains that Mr B knew NatWest didn't have his correct address and it doesn't appear he made any arrangements to ensure any letters NatWest sent him would reach him. I don't think NatWest had any alternative but to write to Mr B at his last known address as its attempts to contact Mr B by phone also didn't work. I think NatWest made reasonable attempts to give Mr B notice his overdraft needed to be repaid.

NatWest sent Mr B a default notice asking for the overdraft to be repaid. When no payment was received, NatWest was entitled to default the account. I don't think Mr B logging into his banking app would constitute notice to NatWest that he would repay the agreement in full. I know Mr B would like some leeway with his credit file. But NatWest is entitled to record accurate information on Mr B's credit file, so I wouldn't ask it to remove the default it recorded against his account.

my final decision

For the reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 15 March 2019.

Vicki Blackwood
ombudsman