

complaint

Miss M complains that National Westminster Bank Plc charged her interest when she was in financial difficulties.

background

Miss M said that NatWest continued to apply interest on her account when she went into a debt management plan.

Miss M opened a current account with NatWest in 2009. When she opened it, it had an overdraft limit of £250. Miss M successfully applied to raise her overdraft limit a number of times, until her limit reached £1,400.

In the summer of 2011 NatWest wrote to Miss M to ask her to contact it, and it made arrangements with her for her to reduce her overdraft in stages, from £1,400 to £100. Later, Miss M contacted a debt management charity, and it started to help her to manage this debt. Her account was transferred to the recoveries team at the bank in September 2012. The last interest charge applied to Miss M's account was taken on 8 August 2012.

Miss M missed a payment in January 2013. She said that she had done this by accident. NatWest reinstated her payment plan after this, but it also recorded a default on her credit file. Miss M has now finished paying off this debt.

Our investigator didn't uphold this complaint. He didn't think that there were any obvious signs on Miss M's account that she was in financial difficulties. Miss M received a regular income and she didn't spend long periods of time over her overdraft limit. So he didn't think that NatWest should've known that Miss M was in financial difficulties at the time.

Our investigator said that Miss M had a repayment plan to reduce her overdraft from June 2011. NatWest was still charging interest at this time, but our investigator didn't think that was unfair. He said that this was an informal arrangement put in place to try to help Miss M to reduce her overdraft, and NatWest hadn't put a default on her account. He said that there were no indications that Miss M had told NatWest at this point how serious her financial difficulties were. So he thought that the plan that was put in place at the time was a fair and reasonable response to the circumstances as NatWest understood them at the time. And NatWest did stop charging interest once it had agreed a repayment plan with the debt management charity that was helping Miss M later.

Our investigator didn't think NatWest had done anything wrong.

Miss M said that she entered a debt management plan in April 2012, and she thought NatWest should've stopped charging interest then. She said that payday loans showed up on her account, and she thought that this should've been a red flag to NatWest. Her salary of £1,000 per month was solely spent on paying back payday loans. She said that NatWest knew she was in financial distress, she visited her local branch on more than one occasion. Her credit score has never been good.

Our investigator said that NatWest only received an offer from the debt management charity in July 2012, and that was the last month she was charged interest for. There's no record of NatWest being contacted by any debt management charity before that. And there was only one obvious payment to a payday lender on Miss M's account, which was around £100-£120 from May 2011 onward. So he didn't think it was obvious to NatWest that Miss M's salary was all being used to pay off payday loans.

Miss M said that she couldn't understand why we would say only one payment to a payday lender was showing. She said that she had sent us pages of statements for a separate complaint which had these loans highlighted. She couldn't understand why NatWest couldn't see what a mess she was in at the time, when everyone else could.

Because Miss M didn't agree with our investigator, the case was passed to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reached the same conclusion on this case as our investigator.

Miss M told us that she entered a debt management plan in April 2012. But I've checked the records that NatWest holds from the time, and I can't see any evidence that a letter from a debt management company was received and reviewed any earlier than 18 July 2012. I've also checked the interest that Miss M was charged, and interest stopped being charged on that day, because NatWest was changing its approach to trying to help Miss M.

I know that Miss M wasn't charged the last amount of interest until 8 August 2012, but I would expect interest to be charged a few weeks after it was accrued. I can see that Miss M contacted NatWest on 9 August 2012, to ask about this, and that's what NatWest told her then.

Miss M has said that NatWest should've realised earlier that she was in financial difficulties, because her income went in then out of the account on payday loans. Our investigator said he couldn't see that on this account. But Miss M had another account with NatWest, and I can see that Miss M had a lot of payday loans on that account. But that doesn't mean that NatWest had failed to help Miss M when it should've done so.

I think that NatWest had contacted Miss M already about her financial situation. Before the repayment plan was agreed with a debt management company, Miss M had discussed with NatWest options to bring her overdraft down. I know that the plan set up to reduce the overdraft wasn't successful, but I think that NatWest did try to help Miss M when it put this plan in place to manage a reduction in her borrowing. And I know that NatWest was still charging interest while this plan was in place, but NatWest wasn't obliged to waive interest charges. I can see it stopped charging interest when Miss M's debt management company contacted it to set up a repayment plan. I don't think that NatWest did anything wrong.

I don't think that NatWest has charged Miss M interest when it oughtn't to have done. And I do think that it tried to help Miss M. So, although I know that Miss M will be disappointed, I don't think her complaint should be upheld.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 July 2018.

Esther Absalom-Gough
ombudsman