

complaint

Mr M complains that after closing his accounts, National Westminster Bank Plc registered defaults with credit reference agencies despite telling him they wouldn't do so.

background

Mr M had a current account and a loan account with National Westminster Bank Plc (NatWest).

In February 2016, NatWest wrote to Mr M giving him 60 days' notice they'd be closing his accounts. At that point, Mr M's current account was overdrawn and he still owed money on his loan account. NatWest asked Mr M to repay the money he owed them.

Mr M says that he contacted NatWest after receiving the letter and was told NatWest wouldn't report any default on his two accounts to credit reference agencies.

He says he's recently found out, when trying to obtain a mortgage, that his credit reference record does in fact include information indicating he defaulted on both accounts.

Mr M complained to NatWest. They said the default information was accurate – and was provided to credit reference agencies in line with their usual process. So they wouldn't remove the default information from Mr M's credit reference files.

NatWest admitted Mr M had been told the defaults would not be reported to credit reference agencies. They apologised for this, but didn't propose to take any further action.

Mr M was unhappy with this outcome and complained to us. Our investigator looked into it and took the view that NatWest hadn't acted unfairly or unreasonably.

Mr M disagreed and asked for a final decision from an ombudsman.

my findings

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

There's no dispute that Mr M owed money to NatWest when they closed his accounts. His current account was overdrawn and he hadn't kept up the agreed payments on his loan.

In line with the relevant terms and conditions, NatWest were entitled to close the accounts having given 60 days' notice. And they were entitled to ask Mr M to repay the money he owed them.

They were also entitled to report the defaults when Mr M didn't repay his debts. It's normal practice for financial institutions to report defaults to credit reference agencies and it would be irresponsible for them not to do so.

When NatWest wrote to Mr M to tell him they were closing his accounts, in February 2016, they made it clear that if the money wasn't repaid, they would follow their usual debt recovery procedures – and they would report the defaults to credit reference agencies.

Given that Mr M didn't repay his debts to NatWest, the information they provided to credit reference agencies is accurate – and it's not unfair or unreasonable for NatWest to report it.

However, NatWest have admitted – in their final response letter to Mr M's complaint – that he was misled. They apologised for telling him that if he defaulted, this wouldn't be recorded on his credit reference file.

So, I have to think about what impact that had on Mr M. He says if he'd known the defaults would be reported, he would have paid off the debt in full. And so, there would be no default on his credit reference file. He tells us he's had some difficulty in obtaining a mortgage due to this adverse credit reference information.

I'm afraid I'm not convinced by Mr M's argument. I'll explain why.

Firstly, even if Mr M was told – between receiving NatWest's letter in February 2016 and their closing his account 60 days later – that the defaults would not be reported, this is clearly contradicted by the letter itself. As I've mentioned above, this says – without any ambiguity – that if the debts are not repaid, NatWest *will* report the defaults to credit reference agencies.

NatWest's contact notes also show that Mr M was in touch with their 'managed out' team at the end of May 2016 to discuss the impact of the defaults (the accounts were now closed) on his credit reference file. He was asked to put his queries in writing and send them by email to a specific team, but it doesn't appear that he ever did so.

I think this shows that between getting the February 2016 letter and the point at which his accounts were closed, in April 2016 (and beyond), Mr M was in some doubt about whether the defaults would be reported – even if he'd been told, as part of one conversation, that they wouldn't be.

So, I don't think he made a choice to not repay his debts based on a firm belief that his defaults wouldn't be reported. I think he was in doubt about that. And I think if his decision whether to repay the debt rested on whether the default would be reported, he could and should have made more effort to get a clear statement from NatWest.

Secondly, I'm aware that Mr M's debts had still not been cleared by the time we obtained copies of his credit reference files in July this year. If Mr M had the means to clear the debts in 2016, as he suggests, I'm unsure as to why he hasn't subsequently paid them off – especially since his attempts to get a mortgage might be helped by having the defaults recorded as satisfied in his credit reference file.

NatWest's contact notes also show that Mr M was in touch with them on at least two occasions in 2016 and 2017 - after his accounts closed – to discuss his repayment plan. He appears to have given no indication during those conversations that he might be in a position to pay off the debt in full.

So, on balance, I don't think Mr M could or would have paid off the debts in full between February 2016 – when he was informed his accounts were closing – and April 2016 – when the accounts were closed.

That being the case, I have no evidence to suggest that NatWest telling Mr M – on one occasion and in direct contradiction of what he was told at other times – that his defaults wouldn't be reported, had any adverse impact for Mr M.

Even if Mr M hadn't been misled during that one conversation with NatWest, I'm satisfied on balance that he still wouldn't have paid off the debts in full. So he still would have defaulted and his defaults would still have been recorded on his credit reference file.

NatWest have accepted that the start date for the defaults on Mr M's credit reference files should be April 2016. A previous omission had led to this being recorded as December 2016. They've put this right, which means the information will fall off Mr M's record sooner than it would otherwise have done.

They've also apologised to Mr M for giving him misleading information.

Beyond that, it wouldn't be fair or reasonable to ask NatWest to do anything more.

my final decision

For the reasons set out above, I won't be upholding Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 1 November 2018.

Neil Marshall
ombudsman