

The complaint

Mrs S complains that The Royal Bank of Scotland Plc ("RBS") set up a direct debit incorrectly causing her loan to go into arrears.

What happened

Mrs S says that when she switched her current account to a different bank, RBS set up a direct debit incorrectly and no loan repayments were made for 12 months. She says RBS failed to notify her of the situation and she now has significant arrears and her credit file has been adversely affected.

RBS says no bank error was made in switching the direct debit, but it has apologised for the poor investigation and complaint handling. It accepts that Mrs S did not receive a call back she was promised and that she was incorrectly told her direct debits were coming from a different bank. It also acknowledged that some of its correspondence was sent to an old email address.

Our investigator recommended the complaint should be upheld in part. He was satisfied that the account switch had been correctly actioned, and that RBS was entitled to record a default and request the arrears. However, he considered compensation of £100 was fair for RBS's poor customer service.

Mrs S responded to say, in summary, that the loan went into arrears because RBS was trying to take the payments from the wrong account. She says it had no idea the loan wasn't being repaid until she contacted it and so it was unfair to default the account. Mrs S adds that it was now affecting her ability to remortgage and that £100 is an insult given the issues she'd had.

RBS responded to say that no missed payments were recorded during the agreed repayment holiday (April to September 2020) and that the account was never reported as defaulted. It confirmed that the loan was settled in April 2022 and RBS has now removed the default balance which was showing on the credit file.

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.

RBS initially said that it could not verify whether the new direct debit had been set up correctly and also quoted the wrong account number and bank name. It has now apologised as this information was incorrect and confirmed that the direct debit was correctly set up on the right account in April 2020. I have seen evidence from RBS to show this was the case

and I'm satisfied that the account was in Mrs S's name. I have also requested Mrs S's bank statements to clarify the situation, but she has been unable to provide those.

It is possible Mrs S meant the direct debits to come from one of her other accounts, and mistakenly gave RBS the incorrect bank details, but I find RBS did nothing wrong when it actioned her request.

RBS agreed a payment holiday would cover the payments from April 2020 to September 2020 and said someone would call Mrs S to take October's payment. It says this call didn't happen and no further payments were received. It also accepts that it sent emails to her old email address.

I've also considered the impact on Mrs S's credit file and I'm satisfied it is a fair reflection of how the account was managed. I've seen evidence to show that the account was never defaulted and that no missed payments were recorded during the payment holiday. I note the loan has now been repaid.

In summary, I find that RBS correctly actioned Mrs S's direct debit transfer, but that it did give her incorrect information, fail to call her back and sent emails to the wrong address. I can understand Mrs S will have felt let down by this poor customer service, but I find £100 is fair compensation in the circumstances.

My final decision

My decision is that I uphold Mrs S's complaint in part. The Royal Bank of Scotland Plc should pay Mrs S £100 for the poor customer service she received.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 13 December 2022.

Amanda Williams
Ombudsman