

The complaint

Miss F complains National Westminster Bank Plc unfairly closed her student account and passed her account to a debt collection agency.

What happened

Miss F has a representative on her complaint, but for ease I will refer to Miss F only.

Miss F opened a student account in October 2021. The account came with a £500 interest free overdraft. The statements for Miss F's account show the account was used in until December 2021 and there were no further transactions on the account. Due to account inactivity the account was eventually considered dormant.

The account was passed over to NatWest's financial support team, and then a third-party debt collection agent due to the outstanding overdraft on the account. Miss F raised a formal complaint about the handling of her account in February 2023. NatWest reviewed her concerns and issued a final response letter explaining it had acted reasonably. NatWest said the account hadn't been used since December 2021 and it had attempted to contact Miss F multiple times and through various channels. NatWest also explained Miss F couldn't access her account through her app once it had passed to recoveries. NatWest encouraged Miss F to contact the debt collection agency to arrange a repayment plan.

Miss F remained unhappy with NatWest's review and referred the complaint to this service for consideration. An Investigator reviewed the available evidence and in summary, made the following findings:

- NatWest acted fairly given the account hadn't been used properly since December 2021.
- NatWest had provided evidence to show it tried to contact Miss F by all appropriate means.
- The account was handled reasonably given the lack of funds paid in and engagement from Miss F.

Miss F disagreed with the review, explaining NatWest hadn't done enough to contact her and the lack of access on her app meant she was unable to manage the account. Miss F also explained the adverse credit file entry was unfair given she was within her overdraft limit and had no awareness of the need to clear the balance.

As no agreement could be reached, the complaint has been referred to me – an ombudsman – for a final decision.

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.

Firstly, I am sorry to see Miss F has had cause for complaint. Her representative has explained the long-term impact the complaint and handling of the account has had on her. I don't underestimate the worry this situation has caused, and also the stress of dealing with the complaint about it. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Account management

Miss F opened the student account with NatWest in October 2021. NatWest has provided statements for the account, which show five transactions in total which all involve Miss F utilising the overdraft. I can't see any funds being paid into the account at any point. I've considered this account activity in light of the account terms. In particular the terms explain:

'2.3 You must use your student account as your main account by depositing your wages or other regular income into it.'

Based on the evidence I've seen I don't think Miss F used the account in line with the account terms as there are limited transactions. Miss F says her account was closed in December 2021 and this is why she was unable to use it. NatWest has provided evidence to show that Miss F's account didn't close at this stage – but it was instead passed over to its financial support team due to the overdraft usage and lack of funds being paid in.

Miss F says she thought her account had been blocked as she was unable to access her account via her app. NatWest has said this could be due to Miss F's account being with the financial support team, or it could've been a technical glitch. It's not exactly clear why Miss F was unable to access her app, but I would've expected Miss F to contact NatWest in branch or on the phone to query this in greater detail.

NatWest says the account was never used by Miss F as her main account, which was a key requirement, and this prompted the account to be flagged. Miss F says her student loan payment was due in January 2022 and her part time salary would've been paid into the account in December 2021. However, the statements don't show any payments in, and NatWest has confirmed the account was not considered blocked and there were no restrictions on the account. This suggests payments in would've been permitted, and NatWest sent letters to Miss F encouraging her to pay money into the account. I can also see the transactions on the account show Miss F transferred funds to a different account. This suggests Miss F had an alternative account. Further, there are no transactions on the account to support everyday living expenses.

Miss F says she requested a new debit card for the account and didn't receive it. NatWest has confirmed a replacement card was issued in August 2022. I understand Miss F feels the lack of online access to her account meant she was unable to manage the overdraft. However, given Miss F had recently opened the account and utilised the overdraft I think she would've had a level of awareness about the account balance and the need to use the account in line with the relevant terms. In addition, Miss F's request for a new debit card in August 2022 – almost eight months after she thought the account had been blocked, is at odds with her comments regarding her awareness of the situation with the account and lack of access.

NatWest has confirmed that although the account remained open, it became dormant following a period of inactivity. The information provided by NatWest shows the account as inactive as of November 2022.

Overall, I'm satisfied NatWest managed the account appropriately and in line with the terms and conditions.

Account overdraft

A key part of Miss F's complaint is that she never received correspondence from NatWest regarding the outstanding overdraft balance. Miss F says the debt has been recorded on her credit file and this will unfairly affect her credit rating. I must firstly highlight that Miss F's overdraft was interest free and the outstanding balance of £498 was within Miss F's overdraft balance. However, the overdraft was repayable on demand, and the lack of activity on Miss F's account prompted NatWest to review the account and for the overdraft to be cleared. Given no funds ever entered the account I can understand why NatWest had cause for concern and took these steps.

I've asked NatWest to provide details of the contact it made with Miss F. Its internal notes suggest that calls and text messages were sent at various intervals from late 2021 into 2022. Although NatWest hasn't been able to provide the exact content of these messages, I think its most likely they prompted Miss F to get in touch about her account.

NatWest has also provided templates of letters it sent on specific dates to Miss F. These letters begin in August 2022 and continue up until January 2023. The templates show these letters encourage Miss F to pay funds into her account or to contact NatWest if she has any questions about her account. Letters were also sent regarding the outstanding balance on the account. Miss F was also informed in January 2023 that the account would pass to a debt collection agency. I think these templates show NatWest took appropriate steps to contact Miss F about the outstanding debt and urge her to arrange a repayment plan.

I've thought carefully about Miss F's comments about not receiving any correspondence from NatWest – by phone, text message or letter. I appreciate Miss F's comments but looking at the available evidence I think NatWest did enough to inform Miss F of the situation. Miss F's contact details appear to be correct, and I think the fact she was able to request a debit card shows she was able to contact NatWest when necessary. Miss F says she never received this card and has asked for proof this was sent. NatWest hasn't been able to provide this. However, even if the card wasn't received by Miss F I would've expected her to query this at the time.

Miss F has provided her credit file which shows the impact of the overdraft. It shows a default registered on 31 March 2023 for the outstanding overdraft amount. Although the debt was passed onto a debt recovery agent to manage on NatWest's behalf, NatWest is still under important regulatory duties to accurately report the status of an outstanding debt. This extends beyond account inactivity and so long as a debt remains unsettled NatWest is obliged to provide accurate information to credit reference agencies.

It is clear Miss F would like NatWest to remove the adverse information that is recorded on her credit file. Ultimately, while Miss F didn't utilise the account for long, the account still had an outstanding amount which it was her responsibility to clear. I can also see the letters sent to Miss F highlight the importance of getting in touch to discuss options for clearing the outstanding debt. In August 2022 NatWest's records show a flurry of activity with numerous calls made to Miss F regarding her account. However, as no response was received the debt remained and Miss F's account was passed to a debt management agent.

NatWest hasn't been able to provide all the correspondence sent regarding the account following the sale of the debt to a third party. However, I can see that the default was applied to the account in March 2023 which shows NatWest, and the debt recovery agent waited a significant period of time before recording adverse data and Miss F was given ample

opportunity to try and clear the balance. The final response letter issued by NatWest on 7 March 2023 also encourages Miss F to contact the debt collection agency to discuss a repayment plan.

Overall, based on the available evidence I'm satisfied NatWest handled the overdraft effectively and recorded information about Miss F in line with its important regulatory duties.

I know this will not be the outcome Miss F was hoping for and she will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking NatWest to take any further action.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 19 December 2024.

Chandni Green
Ombudsman