

The complaint

Mr C complains National Westminster Bank Plc (NatWest) refused to accept an affordable payment plan for his outstanding debt that wouldn't involve a default on his credit file.

What happened

Mr C says he has a debt owing to NatWest in excess of £2,000 but it has refused to accept his offer of an affordable amount of £30 per month and the option it has offered would result in his credit file being marked with a default. Mr C believes the debt on his account wasn't entirely of his making and NatWest should help him by allowing the debt to be repaid over a longer period of time without placing a default on his credit file. Mr C also says when he telephoned NatWest in February 2024, the agent was rude and unhelpful.

Mr C wants NatWest to accept his affordable offer of £30 per month to repay his debt and not to register a default on his credit file.

NatWest says it could accept a payment plan that would avoid a default being applied on Mr C's credit file, but this would normally need the debt to be repaid within 24 months and exceptionally extended to 30 months, but Mr C's offer would mean the debt repayment would take over five years.

NatWest says it could consider providing Mr C with an Unacceptable Proposal plan for £1 per month but this would result in a default being applied to his credit file. Alternatively, it could offer a 30-day breathing space for Mr C to seek independent money advice from an external organisation.

Mr C wasn't happy with NatWest's response and referred the matter to this service.

The investigator looked at all the available information but didn't uphold the complaint. The investigator says he was satisfied NatWest had acted in accordance with its terms and conditions, as these state a payment arrangement can be agreed up to a maximum period of 24 months. The investigator pointed out in these circumstances this would equate to a monthly payment plan of around £70 per month, when Mr C could only afford £30 to £40 per month according to his income and expenditure profile.

The investigator says NatWest have provided Mr C with a second option to enter into an Unacceptable Proposal Plan requiring him to repay £1 per month but that would involve the debt being passed to a third party to manage the repayments and this would be reported on Mr C's credit file for six years. The investigator felt NatWest had acted reasonably here and it had an obligation to accurately report Mr C's account activity to the relevant credit reference agencies.

Mr C didn't agree with the investigator's view and asked for the matter to be referred to 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.

Having done so, I won't be upholding this complaint and I will explain how I have come to my decision.

I understand Mr C is going through a difficult time financially and that must be worrying for him. When looking at this complaint I will consider if NatWest acted unreasonably here when it says Mr C's payment plan proposal would result in his credit file being marked with a default.

Mr C has mentioned he felt a NatWest member of staff whom he spoke to about the repayment proposal, was rude and unhelpful. Unfortunately, NatWest are unable to locate the call recording and I've had to rely on case note records, but here there's no evidence of any such behaviour, so it's not possible for me to comment further on this point.

That said Mr C's main complaint centres around the fact following NatWest allowing him to overdraw his bank account back in 2022, for which it has accepted was an error and paid him compensation, it won't now accept his proposal of £30 per month to clear the remaining debt in the region of £2,000, without it being recorded as a default on his credit file.

While I understand the points Mr C makes here I'm not fully persuaded by his argument. I say this because it's worth saying the debt on his account is genuinely owed to NatWest and Mr C has benefited from the debt created and it's only fair the debt should be repaid over a reasonable period of time.

Here NatWest's terms and conditions allow the debt to be repaid interest free up to a maximum period of 24 months or exceptionally 30 months. I can see Mr C has completed an income and expenditure profile which indicates he can only afford a little above £30 per month, which would mean the repayment of the debt would be close to six years before it was repaid. Given these circumstances NatWest have agreed Mr C could enter into what is known as an Unacceptable Proposal Plan (UPP) where he could pay £1 per month, but that would result in the debt being passed to a third party and a default recorded on his credit file. NatWest have confirmed to this service that a proposal of £30 per month would be accepted but on the same UPP.

So, taking everything into account I can't say it is unreasonable of NatWest to say six years is too long to agree a payment plan without notifying the appropriate credit reference agencies that the debt has been defaulted. After all it has a responsibility to accurately report its customers banking activities and unfortunately here, Mr C is unable to repay a debt he owes over a reasonable period of time that is acceptable to NatWest and I can't tell them it must.

While Mr C will be disappointed with my decision, I won't be asking anymore of NatWest here and I would encourage Mr C to now speak to NatWest about the way forward regarding the payment plan.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 July 2024.

Barry White
Ombudsman