

## The complaint

Mr B complains about missed payment markers on his credit file, reported by National Westminster Bank Plc (“NatWest”).

## What happened

Mr B held several accounts with NatWest including a current account with an arranged overdraft facility. In January 2023, NatWest decided to end its banking relationship with Mr B. It wrote to him and said that his accounts would be closed and his overdraft facility withdrawn on or after 26 March 2023. It said that the overdraft had to be repaid in full by that date, along with any interest and charges due.

Mr B didn't pay off the overdraft by the deadline. In May 2023, NatWest passed his account to a debt collection agency which I'll call M. Mr B agreed a payment plan with M and made monthly payments in line with the plan from June 2023 onwards.

In January, Mr B noticed that missed payments were being recorded on his credit file. He raised a complaint with NatWest. NatWest said that correspondence about the closure of Mr B's account had explained that his credit file would be affected if the overdraft wasn't paid off in one go. It said it had followed its process correctly and his account was being reported correctly to the credit reference agencies. It didn't uphold the complaint.

Mr B wasn't happy with NatWest's response and brought the complaint to this service. After that, NatWest said that it should have treated the account as being in default from the point it was transferred for debt recovery. It said that, because the account hadn't been defaulted, missed payment markers had been applied to Mr B's credit file. It said it would correct this by removing the missed payment markers and recording a default marker instead, with a default date of 20 May 2023.

Mr B said he had paid off the overdraft in full in March and didn't want any negative entries on his credit file. He said that NatWest hadn't treated him fairly and the impact on his life has been significant. He raised many points for me to consider and provided details of how he has been affected by NatWest's decision. Much of that information relates to NatWest's decision to end its banking relationship with Mr B, across all his accounts. I'm not looking at that here because it's not the subject of this complaint. This complaint is about the reporting of Mr B's account following the withdrawal of his overdraft facility. If Mr B wishes to raise a separate complaint about the other issues, NatWest will have the chance to respond to that before any referral to this service.

I issued a provisional decision on 4 June indicating my intention to uphold the complaint and direct NatWest to amend the way it has reported Mr B's account. NatWest accepted the provisional decision. Mr B provided further comments and evidence for me to consider.

He said that NatWest's reporting of his account had adversely affected his credit score and made it difficult for him to obtain credit. He said the credit he had been offered was at higher rates of interest and he had to make a substantial down payment to obtain a loan. He said that wouldn't have been necessary but for NatWest's mistake. He said that NatWest should

pay the additional interest and related financial losses. He also described the stress and emotional distress this issue had caused and sought compensation for that.

NatWest has had the opportunity to respond to Mr B's comments. It didn't think any further redress was warranted.

### **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.

I've carefully considered the responses from both parties and I'm now making a final decision. I'm sorry to disappoint Mr B, but I haven't changed my mind about the outcome of this complaint. I haven't seen any new evidence in relation to the credit file reporting, so my findings about that remain the same. They are set out again below. In relation to the financial losses and compensation which Mr B is seeking, I'm afraid I'm not going to ask NatWest to pay those. I'll explain why below.

Under the terms and conditions of Mr B's account, his overdraft was repayable on demand. That meant that NatWest could ask him to repay the full amount at any time. The terms also said that, upon closure of Mr B's account, he would have to repay the overdrawn balance and any interest or charges due for using the overdraft. So, NatWest was entitled to request full repayment of the overdraft.

I think NatWest made it clear that Mr B needed to repay the overdraft in full by 26 March 2023. Mr B didn't do so. Therefore, I think it was reasonable for NatWest to treat the overdraft as an outstanding debt and pass the account to M.

But I don't think NatWest treated Mr B fairly in the way it reported the account after that. It reported missed payments but later said it should have reported a default. I don't think either approach fits the situation here. I'll explain why.

I haven't seen anything to suggest that NatWest provided a point of contact for Mr B to discuss repayment of the overdraft or engaged with him about this before M was appointed. NatWest has confirmed that, after giving Mr B notice of the account closure, it didn't write to him about the overdraft again other than to send him an email on 24 May 2023 saying that the debt had been transferred to M.

I find that NatWest transferred the account to M on or around 20 May 2023. Mr B has provided a letter he received from M dated 23 May 2023 confirming the set-up of a Direct Debit for his payment plan. This confirms that the first payment was due to collect in June 2023. So, I find that Mr B agreed a payment plan with M as soon as M was engaged and he began making payments very promptly.

Where there is an arrangement to pay in place, I wouldn't normally expect a default to be applied unless the terms of the arrangement are broken. I'm satisfied that Mr B made all the payments in line with his plan. And I haven't seen any evidence that he was sent a default notice or anything else to tell him his account would be treated as being in default. In the circumstances, I don't think it would be fair for the account to be marked as defaulted.

Evidence from both parties shows that Mr B's credit file is currently showing missed payments from August 2023 until February 2024. I think it should be shown as being in an arrangement to pay from May 2023 until it was settled in March 2024.

NatWest has provided a screenshot which confirms it reported the account as settled on 31

March 2024. Mr B has provided an extract from his credit report which shows a missed payment for March 2024. But the account information on the report confirms the status as “paid and closed” with an end date of 31 March 2024. So, I’m satisfied that NatWest has reported the account as settled and this is being reflected on Mr B’s credit file. But, the evidence I’ve seen shows that the account was actually settled on 12 March 2024. So, I think the credit file should reflect that.

Mr B says he doesn’t want any negative entries on his credit file, so I realise he may not be happy with this outcome. But NatWest must report accurate information about the account and an arrangement to pay marker would accurately reflect what happened here.

Mr B says he wasn’t told that his credit file would be negatively affected. But NatWest’s letter in January 2023 said “*We may take formal action to recover any outstanding debt, which could include informing Credit Reference Agencies and transferring responsibility for recovery of your borrowing to our Debt Recovery Area. This may impair your ability to obtain credit or other financial facilities in the future...*”

Although this doesn’t set out exactly how his credit file might be affected, I think it’s clear that failing to pay the overdraft in full by the deadline could have negative consequences for his credit file.

In the circumstances, I’m going to ask NatWest to amend the way it has reported the account, to reflect the fact that Mr B was in an arrangement to pay until 12 March 2024.

I’ve considered Mr B’s claim for compensation and reimbursement of financial losses which he says arise from NatWest’s error in the reporting of his account. He has referred in particular to a loan and a mortgage which were due for renewal. He says he had to take out more expensive borrowing and that his broker said this was due to difficulties with his credit file. He says that, for the loan, renewal with his existing lender was approved but later withdrawn following a credit check. He says he was declined by another lender, also following a credit check. And that the eventual lender only approved his application on the basis that he made a down payment (which he couldn’t afford at the time) and accepted an interest rate which was significantly higher than his original renewal offer.

I don’t doubt that it was difficult for Mr B to obtain credit on favourable terms. But lending decisions can be affected by numerous factors. These include credit file data. But that’s not the only information lenders use to make decisions. And different lenders may take different approaches when presented with the same information. I haven’t seen Mr B’s full credit file. So I don’t know whether there is other information there which may have affected the lending decisions. I know Mr B feels strongly about this. But, on the evidence I’ve seen, I can’t safely conclude that it was the missed payments reported by NatWest which caused his difficulty in obtaining credit.

But, even if they did, I don’t think NatWest is responsible for the losses Mr B is seeking to recover. That’s because I think it’s likely Mr B would have been in the same position even if NatWest had reported the account in the way I think it should have done. NatWest reported missed payments. I find that it should have reported an arrangement to pay. But an arrangement to pay marker may still have been viewed by some lenders as adverse data. Different lenders take different approaches, and some may see it as more favourable than a missed payment marker. But I think it’s unlikely that the outcome of Mr B’s credit applications would have been significantly different if the arrangement to pay was being reported at the time.

The situation has had a significant impact on Mr B and has been very worrying and stressful. I’m sorry to disappoint him, but I’m not going to ask NatWest to pay any compensation.

That's because I think some of the distress and inconvenience relates to NatWest's decision to end its banking relationship with Mr B, and that's not what I'm looking at here. And, in relation to the overdraft specifically, the only way Mr B could have avoided adverse entries of any sort on his credit file would have been to pay off the overdraft in full by the payment date. He didn't do that, so it was reasonable for NatWest to treat the overdraft as an outstanding debt. Therefore, I'm not going to ask NatWest to do anything more than amend the entries on his credit file as I've outlined above.

### **My final decision**

For the reasons above, I uphold this complaint. National Westminster Bank Plc should record and report to the credit reference agencies that Mr B's account was in an arrangement to pay from May 2023 until it was settled on 12 March 2024.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr b to accept or reject my decision before 26 July 2024.

Katy Kidd  
**Ombudsman**