

## **The complaint**

Mr C complains that National Westminster Bank Plc (“NatWest”) is asking him to repay a loan that he cancelled in 2018.

## **What happened**

Mr C applied for a £2,500 loan with NatWest in 2018 and the funds were credited to his current account. Mr C cancelled the loan and the transaction was reversed five days later. Mr C complained that the loan has recently appeared when he logs into his online banking and that it states he now owes over £4,000, despite him having cancelled the loan. NatWest initially agreed that the loan hadn’t shown on his online banking and paid him £50 compensation to reflect the distress and inconvenience caused.

During our investigation of the complaint, NatWest discovered that it had made an error – it had accidentally recredited Mr C’s current account with the loan funds in May 2018. NatWest said that Mr C has had the benefit of the funds, which have now been spent, and will need to repay these. But it says it will remove any interest added to the loan and it has requested for the account to be removed from Mr C’s credit report – although it states that no adverse information had been recorded in any case. And it said that if Mr C couldn’t afford to repay the loan as a lump sum, it would work with him to repay this at a rate he could afford.

Our investigator thought the offer made by NatWest was fair and reasonable in the circumstances – and that Mr C would need to discuss a possible repayment plan directly with NatWest. But Mr C disagreed and said that he thought the loan should be written off as he had cancelled it, and this was NatWest’s error. And he thought he should be paid compensation for the distress caused to him and the effect on his mental health.

## **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’ve reached the same outcome as our investigator and for the same reasons.

There is no dispute here that NatWest made an error in recrediting the account with the loan funds but what is in dispute, is how NatWest needs to put things right.

Mr C doesn’t think he should have to repay the funds. But I have seen that these funds were credited to his account and that Mr C spent them, so I think Mr C has had the benefit of the money – and therefore I think it’s fair that he repays this money.

NatWest has agreed that there will be no interest charged on these funds so he will only need to repay the £2,500 credited to his account – so Mr C has had the benefit of having received the loan funds without them attracting any interest. As this was NatWest’s error, I agree that it shouldn’t apply interest to the £2,500 and it should allow Mr C to repay the funds interest-free.

Mr C has said that he should be compensated for NatWest's error and I have considered this. He states that this has affected his mental health, that he can't afford to repay the funds and that it has affected his credit report. However NatWest has confirmed that it hasn't reported any adverse data in relation to this loan.

I also have to consider that Mr C says he only became aware of the loan in May 2019 when it appeared on his online banking and that he has had the benefit of the money for two years without making any repayments. And I can see that these funds repaid Mr C's overdraft at the time, so he has had the benefit of that. NatWest has also previously paid Mr C £50 compensation in respect of this complaint for its error in the account not showing on his online banking. So taking everything NatWest has offered into account, I think the offer it has made fairly reflects the distress caused and I don't think NatWest needs to pay any further compensation in this instance.

However I do think NatWest needs to ensure that it arranges a repayment plan that is affordable for Mr C – as it has offered to. Mr C will need to complete an affordability planner and discuss what he can afford with NatWest. NatWest should then allow Mr C to repay the funds at a rate that is affordable to him – even if Mr C is only able to afford nominal payments. This plan shouldn't show on Mr C's credit file as it has suggested as Mr C intended to cancel the loan and only owes these funds now due to NatWest's error.

Mr C has said that he will struggle to repay the funds without incurring financial hardship – and NatWest must take that into account when arranging to repayment plan. Should Mr C need any assistance with this then NatWest should provide him with contact details for debt charities to ensure he is able to afford any repayments.

### **Putting things right**

NatWest should:

- allow Mr C to repay the funds without incurring interest
- repay the funds at a rate that is affordable to him based on an affordability assessment
- not record any information about this debt on his credit file
- if it hasn't done so already, it should pay him the £50 it previously offered in its final response letter

### **My final decision**

My final decision is that I uphold this complaint in part. National Westminster Bank Plc should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 February 2021.

Sara Falzon  
**Ombudsman**