

The complaint

Mr A complains about the service he received after he contacted National Westminster Bank Plc ("NatWest") for support due to the Covid-19 pandemic.

What happened

Mr A entered into a loan agreement with NatWest in 2019 for a term of 24 months. In April 2020, he asked NatWest for a payment holiday as he had been negatively impacted by Covid-19. NatWest agreed to a three-month payment holiday and it was put in place to start from May 2020. Mr A says he later realised that he only needed a two-month payment break, so he tried to end the arrangement and re-start the loan repayments.

But he says he received letters from NatWest saying his account was in arrears. He found the letters upsetting and says that NatWest treated him like a debtor. He knew that he owed money to NatWest for the May and June payments. But he says the letters didn't reflect the fact that these arrears were the result of an agreed payment holiday because of coronavirus, rather than him having fallen behind with payments. He says that the generic tone of the letters wasn't appropriate and didn't reflect his situation.

He says he tried calling NatWest multiple times to complain about the letters and to set up a regular payment to clear the arrears. He wanted to pay an additional £200 each month. But he says he had great difficulty getting through to NatWest to put this in place. He says he spent a huge amount of time on the phone waiting to get through and was passed from team to team, often getting cut off in the process or having to wait on hold again. He says his calls weren't returned, his complaints weren't investigated and that the whole process was extremely frustrating.

Mr A also complains that interest was applied to his loan account during the payment holiday and that his credit file was negatively impacted.

NatWest says that interest was applied to Mr A's account during the payment holiday, but it was adjusted monthly. So it says Mr A hasn't been charged any additional interest. It also says it didn't make any adverse entries about the loan on his credit file. So it didn't uphold these aspects of his complaint. And it didn't agree that Mr A's complaints hadn't been investigated.

But NatWest agreed that Mr A had received a poor level of service. It apologised and paid him compensation of £150 in total for the distress and inconvenience he experienced, plus £10.80 towards his call costs.

Mr A wasn't happy with NatWest's response and brought the complaint to this service. Our Adjudicator didn't think NatWest had acted unfairly. But Mr A didn't agree and asked for his complaint to be reviewed by an Ombudsman.

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.

In April 2020, the Financial Conduct Authority (FCA) released a package of temporary measures to help consumers who were negatively impacted by Covid-19. The guidance said that firms should offer payment holidays of up to three months to such customers and that customers' credit files shouldn't be affected by taking a payment holiday. I've seen screenshots from NatWest's system and I'm satisfied that it didn't report any adverse information about Mr A's account to the Credit Reference Agencies. So I don't find that his credit file was negatively affected by the payment holiday.

Turning to the interest on Mr A's account, NatWest said that interest which accrued during the payment holiday had been adjusted and credited back into the account. It's Final Response Letter said "*the interest applied to your loan deferral payments is being refunded monthly*". But I don't think this explained the position clearly to Mr A. I think NatWest's comments suggested that all interest applied during the payment holiday had been refunded. But that wasn't the case.

NatWest has clarified that it was only interest on the missed payments which was refunded. The usual monthly interest was still applied to Mr A's account during the payment holiday and this hasn't been refunded to date. I'm not satisfied that Mr A was told when he requested the payment holiday that he'd continue to be charged interest during it, so I asked NatWest about this.

NatWest accepts that its Final Response Letter didn't make it clear that it was only interest on the arrears which had been refunded. As a result, it has agreed to refund the rest of the interest which was applied during Mr A's payment holiday. This will result in a refund to Mr A of £34.41. I think that's fair, as it will put Mr A in the position of not having been charged any interest during the payment holiday.

I'll now consider the overall service Mr A received from NatWest including letters he was sent about the payment holiday. NatWest says that, even though the reason Mr A didn't make the May and June payments was because of the payment holiday which it had agreed, its system viewed Mr A's account as technically in arrears. It says this led to a standard arrears notice being sent to him. I can understand why this happened. But I can also imagine how distressing and frustrating this was from Mr A's point of view.

NatWest has also explained that, although Mr A only took a payment holiday for two months, its system was set up to deal with three-month payment holidays. It says that's why some of its communications referred to the wrong end date. I don't think it was unreasonable for NatWest to have standardised messages in place to deal with the circumstances surrounding Covid-19. But I can also understand Mr A's point of view that NatWest wasn't treating him as an individual.

I think it was a difficult balance for businesses to strike between having to respond quickly to the pandemic by putting measures in place to help large numbers of customers and still managing to communicate appropriately with individual customers. NatWest has already accepted that the level of service Mr A received wasn't good. It has apologised and paid him compensation of £150 plus call costs of £10.80. In the circumstances here, I think that's fair. So I'm not going to ask NatWest to do any more about that.

For the reasons above, I'm going to uphold this complaint so that I can direct NatWest to refund the interest of £34.41 to Mr A. But I'm not going to ask it to do any more.

My final decision

For the reasons above, I uphold this complaint. National Westminster Bank Plc should refund interest of £34.41 to Mr A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 5 April 2022.

Katy Kidd
Ombudsman