

The complaint

Mr A complains that National Westminster Bank Plc (NatWest) wanted to charge additional interest in respect of a COVID payment deferral period agreed when they'd previously told him they wouldn't.

What happened

Mr A contacted NatWest in April 2020. He told them his income had been negatively impacted by the global pandemic and asked what support was available to help him as he may struggle to meet his loan repayments. NatWest agreed to a defer Mr A's loan repayments for April, May and June 2020. They said they'd write to him 14 days before expiry of the deferral to explain his options. NatWest also confirmed that no additional interest would be applied to Mr A's loan in respect of the deferred payments.

In July 2020, Mr A contacted NatWest again. They explained he could either repay the missed payments or his loan could be extended by three months. The extension would require him to sign an amendment to the existing loan agreement. Mr A confirmed he wanted to extend the loan by three months.

When Mr A received the new paperwork, NatWest had added additional interest onto his loan. He didn't think this was right as NatWest had assured him there would be no additional interest costs. So, Mr A complained to NatWest about this.

NatWest didn't agree they done anything wrong. They said that although they wouldn't charge additional interest for the payments deferred, they would charge additional interest on the balance he owed as this would now be being borrowed for three months more. Mr A didn't agree with NatWest's findings. So, he referred his complaint to this service.

One of our adjudicators investigated Mr A's complaint. She didn't think NatWest had acted fairly and thought they hadn't provided adequate information to enable Mr A to understand the implications of the payment deferral. Our adjudicator thought NatWest should refund all interest applied to the loan for the three-month deferral and also pay compensation to Mr A of £100.

NatWest agreed with our investigator's findings and resolution, but Mr A didn't agree. He raised several other complaint points and suggested that NatWest should pay compensation to him of £2,000.

As an agreement couldn't be reached, Mr A's complaint has been passed to me to reach 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.

In his responses to our adjudicator's view, Mr A has referenced other complaint matters. These weren't specifically considered by NatWest as part of this complaint. I understand these have been raised and considered separately. So, for clarity, the complaint I've considered relates only to the payment deferral agreed and the interest NatWest proposed to add, as a result.

The Financial Conduct Authority (FCA) issued guidance to lenders on 2 April 2020 which explained what they expected from businesses during the exceptional circumstances arising out of the global pandemic. Their guidance asked businesses to consider payment deferrals of up to three months under regulated credit agreements.

The FCA said their guidance applied where consumers were already experiencing or reasonably expect to experience temporary payment difficulties as a result of the pandemic. The FCA also said that *"firms should ensure that there is no negative impact on the consumer's credit file because of the payment deferral"*.

The FCA said *"firms would be entitled to charge a reasonable rate of interest where a customer requests a temporary payment freeze. In the event that a customer requires full forbearance that interest should be waived"*.

I've listened to a recording of Mr A's original conversation with NatWest in April 2020. NatWest said, *"We'll make sure there's no interest accrued because of the build up of the arrears"*. They also said, *At the end of those three months, we would then look to either resume at your normal payments with an extension of your loan past the maturity date; or you can choose to clear those arrears over one to 18 months..."*. NatWest confirmed they wouldn't change the interest rate so *"you'd still pay the same amount, just the loan would continue three months past"*. During the call, Mr A told NatWest his main worry was he didn't want to pay any more interest. NatWest reassured him, *"You won't pay additional interest because we'll refund the interest that's accrued over these three months"*.

The FCA's guidance makes it clear that NatWest were entitled to charge interest for the period of the payment deferral. But, I think NatWest's comments meant Mr A was entitled to conclude that the payment deferral wouldn't result in any additional cost to him.

The FCA's guidance also made it clear that NatWest needed to fully explain their agreement to Mr A so that he fully understood its implications. I've found nothing to suggest NatWest told Mr A there would be any additional costs as a result of the deferral. Our adjudicator asked NatWest to provide copies of any letters sent to Mr A confirming the deferral agreement. But NatWest haven't been able to do that.

I don't believe it was fair of NatWest to add additional interest once Mr A's payment deferral ended. They should've told him that at the outset as this may have influenced Mr A's decision to accept their offer. So, I think NatWest should put this right. I will also be asking them to compensate Mr A for the distress and inconvenience he suffered as a result of their mistake.

Our adjudicator Suggested NatWest should pay Mr A £100. Compensation is a personal thing. What is seen as reasonable by one party may not be considered so by another. Mr A did experience some inconvenience. But I think the amount offered feels fair in all the circumstances here. I appreciate that Mr A doesn't agree. But it isn't the role of this service to make awards in order to penalise NatWest for their mistakes. Any award is considered based upon the impact NatWest's mistake had upon Mr A. And I think NatWest's offer does that here.

My final decision

For the reasons set out above, I uphold Mr A's complaint.

I require National Westminster Bank Plc to:

- refund any additional interest calculated and charged to Mr A's personal loan that resulted from the payment deferral agreed; and
- ensure that the balances reported on Mr A's credit file reflect these refunds; and
- pay compensation to Mr A of £100.

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.

Dave Morgan
Ombudsman