

The complaint

Miss M complains that National Westminster Bank Plc (NWB) lent irresponsibly when providing her with a personal loan.

What happened

In November 2020, Miss M applied to NWB online for a loan of £5,250. The application details recorded by NWB show the purpose of the loan was to refinance debt. NWB agreed to provide the loan over 30 months.

In 2021 Miss M complained to NWB that it had lent to her irresponsibly when she applied for the loan. NWB didn't agree and, unhappy with NWB's response, Miss M complained to us.

One of our investigators looked into the complaint and told Miss M they didn't believe NWB had lent irresponsibly. The investigator felt, among other things, that the lending appeared to be affordable for her.

Miss M didn't accept the investigator's findings. As the investigator couldn't resolve the complaint informally, it was passed to me to review afresh.

On reviewing the complaint, I believed it should be upheld. I sent my informal findings to both parties and gave them the opportunity to respond. Essentially, I felt that NWB had lent irresponsibly to Miss M and should put things right for her in line with our usual approach to complaints such as this. I also felt NWB should pay Miss M £300 as compensation for the distress and inconvenience it had caused her.

NWB agreed to settle the complaint as I'd asked. But Miss M wasn't happy, among other things, because the amount NWB was looking to pay her was too low and would still leave her with outstanding borrowing (with another lender that she'd refinanced through).

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.

We've set out our approach to considering unaffordable and irresponsible lending complaints on our website – including the key relevant rules, guidance, good industry practice and law. And I've considered this in deciding Miss M's complaint.

Having done so, I've decided to uphold the complaint. I've already explained to both parties that I believe the lending was unaffordable for Miss M and am pleased that they agree with my decision. The parties also agree that NWB should pay Miss M £300 as compensation for the distress and inconvenience its actions have caused her.

As such I see no need to address in detail in this decision my reasoning for reaching those conclusions. I'd only confirm to Miss M that I took account of what she told us about her poor health around the time of the loan and subsequently – including the letter from her treating

consultant and also that she felt NWB discriminated against her due to her health by offering the loan. As I've already explained, I'm persuaded that NWB shouldn't have offered the loan to Miss M and it agrees.

To put things right, I essentially asked NWB to unwind the loan by removing all interest, fees and charges it applied and working out and repaying to her the difference between what she would have paid each month without them and what she actually paid. I asked NWB to add interest to any amounts she may have overpaid at 8% and update her credit file. This is in line with this service's approach to complaints such as this.

Miss M's questioned whether the redress I've asked NWB to offer is fair. Specifically, she wants NWB to compensate her for the principal amount she borrowed as it should never have allowed her to take out the loan.

I've already explained to Miss M that I don't think it would be fair for me to ask NWB to do that. That's because, despite my finding that the lending was unaffordable for her, she's nevertheless had the benefit of the money she borrowed. If she hasn't benefitted from it yet, as she argues, then she could potentially benefit from it in future. I've carefully considered what she's said about this, including that she's refinanced the loan and is still repaying that new loan. But I remain of the view that NWB need not write off the amount she borrowed.

Miss M's mentioned reports of cases brought by other consumers we've published on our website in support of her request. However, I must carefully consider what's fair and reasonable in the circumstances of her complaint – each case turns on its own facts.

It may be that the cases Miss M refers to are those in which, for example, we consider that to require the consumer to repay the loan would cause them extreme financial hardship. But it's by no means typical for us to make such a finding. While I accept this loan was unaffordable for Miss M, I haven't seen enough evidence to show that repaying it, or the later loan, would cause her this level of difficulty. In fact, Miss M told us that, in refinancing the loan with another lender, she secured a lower rate of interest than she had with NWB. I can't see that she experienced extreme hardship in meeting her monthly payments with NWB and I've no reason to believe meeting the new payments at a lower rate of interest would cause her such hardship either.

With that in mind, and in the absence of any other justification, I don't believe I can fairly ask NWB to compensate her for the principal amount she borrowed in the circumstances of this case.

NWB's carried out an approximate redress calculation to help Miss M decide whether to accept or reject my suggested – and now final – resolution. NWB's worked this out to be around £718. Miss M believes that's too low, although I'd ask her to bear in mind that NWB's calculation hadn't been finalised and that it had yet to add 8% interest, as it would need to in order to comply with this decision.

If Miss M accepts this decision and remains unhappy with the amount NWB ultimately offers, it would be open for her to query that with NWB. To help matters, I'd like NWB to provide Miss M with a breakdown of how it's worked out what it will pay her.

Putting things right

Taking everything into account, I believe NWB should offer redress in line with our general approach to cases such as this. That means I think it's fair and reasonable for Miss M to repay the principal amount that she borrowed, because she had (or potentially will have) the benefit of that lending. But she's paid interest and charges on a loan that shouldn't have

been provided to her. So, I think Miss M's lost out and that NWB should put things right for her. NWB should:

- a) Remove all interest, fees and charges applied to the loan from the outset. Any payments made by Miss M should then be deducted from the new starting balance. If the payments Mr M has made total more than the amount she was originally lent, then any surplus should be treated as overpayments and refunded to her with 8% simple annual interest† calculated on any overpayments made, from the date they were paid by Miss M to the date the complaint's settled. NWB should provide Miss M with a breakdown of how it's worked that out; and
- b) Remove any adverse information recorded on Miss M's credit file because of the loan; plus
- c) Pay Miss M £300 as compensation for the distress and inconvenience she's suffered.

† HM Revenue & Customs requires NWB to take off tax from this interest. NWB must give Miss M a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons given, I've decided to uphold this complaint. I require National Westminster Bank Plc to put things right for Miss M as explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 7 April 2022.

Nimish Patel
Ombudsman