

## The complaint

Mrs A and Mr A complain that National Westminster Bank Plc ("NatWest") gave them a loan when they didn't ask for it. But later when they did ask for a loan, it was declined on the basis they couldn't apply again within a specified timeframe. They also complain they received another customer's personal information.

## What happened

Mr A says he kept having problems with his car so he asked NatWest if he and Mrs A would qualify for a loan. He says he didn't apply for the loan but was sent the funds a few days later. Mr A says the car he wanted to purchase fell through, so he cancelled the loan within the cancellation period. Then, around two weeks later he found another car and gave a £500 deposit to secure this. Mr A asked for the loan to be reinstated but was told a new application would be required. He queried this but then received a response addressed to another customer. Mr A then paid for the car out of his savings and complained to NatWest.

NatWest responded and said Mrs A and Mr A applied for a loan of £10,000 on 21 August 2020. The loan was approved and the funds were paid into their account a few days later. They said, when Mr A called to say the car had fallen through the call handler suggested he could cancel the loan but didn't explain that if he does then he would need to wait 28 days before reapplying should he require a new loan in the future. NatWest said Mr A called them to ask for the loan to be reinstated but he was informed that a new application is required in order to obtain a new loan. Mr A then requested the matter to be escalated as a query. They said this was investigated and a response was completed but the response received by Mr A was addressed to another customer. NatWest apologised and explained the data breach that occurred relates to another customer and they had taken all appropriate steps to address this. They said they understand why Mr A is concerned about his own personal information but they confirmed this was an isolated incident and it remains their priority to protect all customers personal information. They confirmed Mr A's query response hadn't been sent to another customer.

NatWest said they had considered Mr A's request for his previous loan to be reinstated but this request was declined. And, in order to borrow another loan a new application is required and is subject to credit scoring and assessment.

NatWest said in recognition of the distress and inconvenience caused, they agreed to offer £300 compensation which they paid into Mr A's account.

After considering all of the evidence, I issued a provisional decision on this complaint to Mrs A and Mr A and NatWest on 16 March 2022. In my provisional decision I said as follows:

### *"The loan application*

*I understand Mr A says he originally only made an enquiry into a loan and didn't want it at that point. He says he didn't want the loan to be paid into his account immediately. He wanted approval and then, after acquiring the car he wanted, he could request the funds to be transferred to his account.*

*I've listened to a recording of Mr A's call to NatWest on 21 August. During this call, Mr A explains he's trying to get an idea of the amount of loan he can get. He explains it's a joint loan with Mrs A, but he was having problems completing the online application form. The call handler explains they can run through some details over the phone and, if Mr A wishes to proceed, they can submit the application over the phone. The call handler takes some details from Mr A and then explains they'll firstly ensure the monthly payments are affordable and they do this by checking information they hold as well as external Credit Reference Agencies ("CRAs"), and then if Mr A is happy the monthly payments are affordable, they can proceed with an application which includes a full credit check and then the call handler will let Mr A know of the outcome.*

*The call handler asks if Mr A is happy to continue and he says he's not sure if he'll go ahead with it, but he wants to get to the point where he can see what loan he can get. The call handler then explains the interest, the monthly repayment and the full repayment amount for a three and a four-year loan term. Mr A arranges for the call handler to call back later in the day once he has decided whether to take the loan out. Mr A asks whether NatWest can take the signature over the phone and the call handler explains they can't deal with the signature until they've done the application but the quickest way would be digitally where Mrs A and Mr A can tick a box.*

*NatWest haven't been able to locate the call where the loan was agreed but they have provided the Loan Agreement which has been signed by Mrs A and Mr A on 21 August. The signature is represented by a tick in a box. This says "Don't sign anything unless you are absolutely sure you want to proceed". It also says, once the agreement is signed, NatWest will arrange for the loan to be credited to the account selected by Mrs A and Mr A. NatWest have also provided a copy of letters dated 26 August to Mrs A and Mr A confirming the loan has been agreed and the loan has been credited to their account.*

*So, while I accept Mr A's initial call was very much an enquiry around what loan would be available and the terms, it's clear the documentation sent to Mrs A and Mr A to sign set out what would happen once they signed the loan agreement. The documents I've seen don't suggest that, once the agreement is signed, the loan payment will be held until Mr A confirms he wants the funds paid. So, I don't think it was unreasonable for NatWest to have paid the funds into Mrs A and Mr A's account once the loan agreement was signed. I note Mr A says both he and Mrs A have never seen the loan agreement before. But, the call handler during the original call explained the process in relation to signing the Loan Agreement and, from the information I've seen, I think that process was followed. So, I won't be asking NatWest to remove this loan application from Mrs A and Mr A's credit file.*

#### *Communication around cancellation of the loan*

*Firstly, I've looked at the service given to Mrs A and Mr A. The key facts about this part of the complaint aren't in dispute. NatWest have admitted they got things wrong when they didn't tell Mr A about the 28-day time bar in place if he wanted to reapply for a loan.*

*I've listened to the call recording between Mr A and NatWest on 27 August during which he explains he has received the loan but the car he wanted – and for which the loan was required – had fallen through. He says the funds are sitting in his and Mrs A's account, but he didn't want to start the loan until he has a car he'd like to buy. The call handler explains there's a 14-day cancellation period which would mean they take back the £10,000 loan and this wouldn't incur any interest or any additional payments. Mr A explains he doesn't feel 14-days is long enough for him to find the*

right car and asks if this can be extended to a month. The call handler explains it can't but suggests Mr A can cancel the loan and then reapply for the loan when Mr A feels the time is right.

Mr A explains he doesn't want this to be detrimental to his application and the call handler explains it means this would go through another credit check. It's clear though that Mr A is worried about any possible consequences of cancelling the loan and gives the example that NatWest may take the view that Mr A has applied for a loan, cancelled and "...now he wants it back again." The call handler reassures Mr A that won't happen. The call handler says, if Mr A decides he wants the loan again then they'll set up an electronic system where Mr A can sign the agreement and he'll receive the funds the next working day. Mr A then cancels the loan.

Having listened to the call, I'm in no doubt that Mr A was very anxious and worried about the possible consequences that cancelling the loan might have on him reapplying. And, he does mention in the call the purpose of the loan and that he's still looking for a car. So, I don't think it's unreasonable to expect the call handler to have identified that Mr A would be back in touch at some point to reapply for the loan. I accept it couldn't be determined at the time when Mrs A and Mr A might reapply – and whether this would be before or after the 28-day timescale – but I think it would've been important to have let Mr A know about this restriction being in place. I think the call gave Mr A a degree of reassurance that he could apply again and a loan would go through the same process.

I think it's right that NatWest should compensate Mrs A and Mr A for the upset, frustration and inconvenience caused by their poor service. I can see they have already paid £300 and, in line with our investigator's view, they've agreed to pay a further £100 – bringing the total compensation to £400. I have carefully considered this and I think it fairly reflects the impact on Mrs A and Mr A. I'll explain why.

I understand why Mr A was left frustrated when he wasn't allowed to apply for another loan because of NatWest's policy involving a 28-day timescale. To consider the impact of this, I've gone on to look at what Mr A likely would've done differently if he had been given clear information about the 28-day timescale. I've looked at the facts and then I've made a judgement call based on the balance of probabilities. That is, what Mr A more likely than not would've done - not what Mr A definitely would've done. Had Mr A been told about the 28-day timescale, I believe he would've had two options, to keep the funds or to cancel the loan. There would be risks connected to both decisions, if Mr A decided to keep the money and didn't find a car for a significant period of time then he would risk paying interest on a loan he didn't need at the time. Or, if he decided to cancel it, then there was the 28-day bar where the risk would be Mr A finding a car shortly after cancelling the loan but being unable to apply again immediately – and, it's the latter which occurred.

During the call on 27 August, Mr A says he appreciates the speed with which the funds have been sent but he hasn't yet secured a car and he queries whether the time has started in relation to his monthly payments.

The call handler explains the time has started and Mr A says he doesn't wish to start the loan until he has secured a car. It's clear from this that Mr A was concerned about starting the monthly payments without having yet secured a car. And, Mr A even asks if the cancellation period can be extended to a month to allow him more time to look for a car. During the call, Mr A doesn't suggest that he was likely to find a car sooner rather than later, or even a general timescale on when he was likely to find a car. I do appreciate these things are difficult to predict or estimate because it depends on finding the right car, for the right price.

*So, taking this into account, and given that Mr A was clearly concerned about having to make the monthly payments with interest without yet having secured a car and not knowing for definite when he would, I think it's more likely than not Mr A would've cancelled the loan even if he'd been told about the 28-day timescale. That said, I do acknowledge that, not knowing about the 28-day timescale, denied Mr A a fair opportunity to make an informed decision on what would be the best option for him and Mrs A.*

*I can see Mr A says, when he found another car, because he wasn't able to get another loan through NatWest, he had to use his savings to buy the car. Mr A says this has had a severe impact on him in that those savings couldn't then be used to carry out renovations to his home. He also says it prevented him and Mrs A from taking a holiday and it also prevents him now from using those funds for any emergency situation – such as visiting his son who lives overseas. I do acknowledge this and note Mr A feels compensation of at least £1,000 would be reasonable in the circumstances. I'm sorry to disappoint Mrs A and Mr A but I don't agree that level of compensation would be fair and reasonable.*

*While I am sorry to hear about the impact Mr A says has been caused by NatWest's error, I don't think I can hold NatWest directly responsible for the impact described by Mr A. That's because Mr A chose to use his savings to buy the car. While I do fully acknowledge it was the car Mrs A and Mr A wanted and had paid a deposit for, NatWest didn't know Mr A would need to use his savings – and what the consequence of that would be – during the call on 27 August. I do note Mr A says the garage told him he might need to pay for storage if he didn't make full payment for the car, so I do understand Mr A's reasons for using his savings to pay for the car to avoid storage costs. But, given that I believe Mr A would've cancelled the loan even if he'd been told about the 28-day timescale, I believe Mr A would've found himself in this position even with knowledge of the time bar.*

#### *Reinstating the loan*

*NatWest say they considered Mr A's request for the previous loan to be reinstated but this was declined. They say any further borrowing would be subject to a new application and credit scoring and assessment. I think it's important to note our service doesn't have power to require a business to change their processes. Or to direct a business on what their policy should be on reinstating cancelled loans. NatWest have a policy – and I can't see they've applied that policy unfairly to Mrs A and Mr A.*

*I note Mr A queries why there should be a 28-day waiting period and why he should have to repeat a process he had only completed a couple of weeks earlier. I do acknowledge this and I can understand why Mr A feels such a short period of time should've been taken into account as his financial circumstances hadn't changed.*

*This again comes down to NatWest's policy, which our service doesn't have the power to direct them to change. I will say however that I don't think there's anything inherently wrong with a business having a time bar in place preventing two applications being made in relatively quick succession. This is because lenders will often carry out credit checks – as NatWest have done in this case. Lenders may report information about customers to the CRAs on different days through a month so lenders will often have a time bar in place to ensure there's sufficient time for a customer's credit file to be updated should that customer want to apply for credit shortly after a previous application.*

### *Data breach*

*I can see NatWest accept they got things wrong when they sent Mr A a response to his query with another customer's details. I can understand why this worried Mr A and led him to believe another customer had been sent the query response intended for him. NatWest have said the response intended for Mr A wasn't sent to another customer so there's been no data breach in relation to his personal information. On this basis, I think the apology offered by NatWest is reasonable in the circumstances. I haven't seen any information which suggests Mrs A and Mr A's personal information has been shared with another customer so I can't say there has been an impact which justifies an award of compensation.*

*Taking this all into account, I think NatWest should pay additional compensation of £100 bringing the total compensation to £400. I think this is reasonable in the circumstances and fairly reflects the upset, frustration and inconvenience caused to Mrs A and Mr A."*

So, subject to any further comments from Mrs A and Mr A or NatWest, my provisional decision was that I was minded to uphold this complaint.

Following my provisional decision, neither party has provided any additional points for me to consider.

### **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 see no reason to depart from my provisional decision. So, I've decided to uphold the complaint for the reasons set out in my provisional decision and copied above.

### **Putting things right**

I've taken the view that NatWest made an error in their communication with Mr A about cancelling the loan. So, in addition to the £300 already paid, they should pay an additional £100 to Mrs A and Mr A for the upset, frustration and inconvenience – bringing the total paid for this complaint to £400.

### **My final decision**

My final decision is that I uphold the complaint. National Westminster Bank Plc must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A and Mr A to accept or reject my decision before 12 May 2022.

Paviter Dhaddy  
**Ombudsman**