

## The complaint

Mr C complains about how National Westminster Bank Plc responded when he said he couldn't afford his monthly loan payments. He said NatWest didn't explain the implications of missing payments, and he's now being asked to pay much more interest.

## What happened

Mr C told us he was trying to get his finances in order, but NatWest had refused to extend the term of his loan. Instead, it demanded he pay over £4,000 in arrears. Mr C said he'd complained, but NatWest just wouldn't help. So he wanted us to look into this.

NatWest said it had given Mr C a six-month payment break under the special coronavirus pandemic rules, running from November 2021 to April 2021. In June, NatWest sent him paperwork to extend the term of his loan, to cover the payments and interest he'd missed during this time. But Mr C then contacted NatWest, on 24 June, to say he wasn't able to keep paying his monthly loan payments. He told NatWest he was also in arrears with a different loan at the time. So NatWest put his loan on hold, to give him breathing space, and suggested he talk to a debt management company which is free to use.

The next day, Mr C got in touch again, to say his monthly payment had been taken by direct debit. NatWest sent this money back to him.

Mr C spoke to NatWest again in July, and said he still couldn't afford his monthly payments. NatWest said then his loan was still on hold, it wasn't expecting him to make his payments for the moment, and he had until the start of September to work out what he wanted to do.

In September, Mr C spoke to NatWest, and said he could now afford the payments again. He wanted to start paying what he'd paid before. NatWest's notes from the time say it thought the best option for him was to refinance the loan. Mr C complained that NatWest would no longer offer him the option of a term extension, and NatWest said it wouldn't do that, because of the level of arrears on his account. It said its process is not to offer a term extension to someone with such a high level of arrears. Mr C told NatWest that if he'd known this, he would have kept making his monthly payments.

NatWest said Mr C had been clear with it in June, and then again in July, that he couldn't meet his monthly payments. So it still thought it had done the right thing by allowing him a break in his payments, to give him breathing space. It wouldn't uphold his complaint, or reconsider its decision about a term extension. But in November NatWest refinanced Mr C's loan, which lengthened the overall term and reduced his monthly repayments from around £500 to around £300.

Our investigator didn't think this complaint should be upheld. She said it was fair and reasonable, when Mr C said he couldn't pay his monthly payment, and was behind with another loan, for NatWest to respond by putting his payments on hold, and referring him to a debt management company

Our investigator said when Mr C contacted newest again in September, to say that he could start making his payments again, NatWest wouldn't offer him a payment plan, because he couldn't afford to restart his regular monthly payments and pay towards the arrears. She said that wasn't unfair, NatWest had to be sure Mr C could afford any payment arrangement it reached with him. She understood Mr C's position, that if he'd been told about the impact of putting his account on hold, he would have kept making his payments. But she said he'd repeatedly told NatWest he couldn't afford that, so she didn't think he would have been able to do that.

Our investigator said that refinancing Mr C's loan hadn't put him in a worse position. The interest rate on his refinanced loan was lower than the original amount. And if Mr C wanted to make overpayments to the loan, he could, which would reduce the interest and total amount payable on his new loan.

Mr C wrote to disagree. He said he would have acted differently if he'd been told he couldn't go back to his original loan agreement. He said he wanted to pay NatWest more, but all NatWest wanted him to do was speak to the debt management company. So his options were an IVA or bankruptcy, if he couldn't pay all of the arrears, around £4,500, off at once. Mr C said that NatWest only discussed refinancing when he called back, distressed at the prospect of an IVA.

Mr C said that he was only on a payment plan now, paying about £300 a month. His loan hadn't yet been refinanced, and he was scared he was going to end up paying much more. He didn't think that what had happened to him was fair.

Our investigator didn't change her mind. She still thought Mr C wasn't able to continue to pay his loan in June and July, because he'd been clear with NatWest that he couldn't pay.

Our investigator said that she understood Mr C had spoken to the debt management company, which had suggested an IVA or bankruptcy to Mr C. When Mr C then told NatWest he could make his payments again, in September, NatWest discussed a repayment plan with Mr C. It went through an income and expenditure assessment which showed he couldn't afford that. But she thought it did also discuss refinance with him then, because it made him aware that this would mean his overdraft would be removed.

Our investigator didn't think that NatWest had suggested an IVA or bankruptcy to Mr C, she thought that conversation happened with the debt management company.

Mr C said that our service should obtain all the calls that he had with NatWest, so we could hear that NatWest didn't initially offer him a refinance option. All it said was that he should pay the arrears, or speak to the debt management company. Mr C said when NatWest offered refinance, then he was relieved, because he'd been faced with having to enter into an IVA. He said he'd had to argue for the refinancing, it wasn't offered to him, and he thought that was wrong.

Mr C then said he'd been offered a refinance option by NatWest, but it was an extra £7,000 to pay back over 65 months. He said although our investigator thought he wouldn't have acted differently, when the other lender told him he had to continue with his repayments, he did. He said he would've done the same with NatWest if it had made clear that he couldn't just return to making his payments after an extended break.

Our investigator still didn't change her mind. And she repeated that Mr C wasn't worse off now. He was paying a lower rate of interest on his refinanced loan, and he could make overpayments if he wanted to. She didn't think he was paying an extra £7,000 of interest

now. Interest was being added to his old loan each month, that had stopped, and interest was now being added to his new loan, at a lower rate.

Mr C said that he'd now paid off the loan in full, with a different loan, because he didn't want to be paying an additional £7,000. He still thought that was what NatWest was making him do. Mr C still thought NatWest had been unfair. Because no agreement was reached, this case was passed to me for 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.

Mr C has told us that he did manage to keep paying the regular monthly amount for his other loan, because that lender told him he had no other options. And he said if NatWest had said the same to him, or had explained to him the consequences of missing payments, he would have continued to make his full monthly payment.

NatWest hasn't been able to share with us recordings for the key calls with Mr C in June and July, but its notes show what happened when Mr C called. He'd told it he couldn't pay. So it put his payments on hold, and referred him to a debt management charity for help.

I think NatWest took the appropriate step, in responding to what Mr C said. I would not expect NatWest, at this stage, to focus on the consequences of missing payments in the way Mr C has suggested it should have done. I wouldn't expect NatWest, either directly or indirectly, to put pressure on Mr C to make payments that he'd just said he couldn't afford. For that reason, I don't think the steps NatWest took at this point were unfair, or unreasonable.

It seems Mr C considers that an IVA or bankruptcy wouldn't be necessary or suitable for him. But, like our investigator, I think it's likely that this advice came from the debt management charity that Mr C spoke to, not from NatWest. And NatWest isn't responsible for that advice.

By September, Mr C's situation had changed, and he wanted to resume making payments at the previous amount. Mr C complained that NatWest wouldn't let him do this, and it wouldn't let him just extend the term of his previous loan, to cover the arrears that he'd built up.

NatWest said it had checked, and Mr C couldn't afford to just start again with payments of £500 per month as well as pay towards the arrears each month. So it wouldn't do that. I think that's a fair approach for NatWest to take. It's not fair or reasonable for NatWest to set up a payment arrangement that it knows Mr C can't afford

Mr C said NatWest didn't mention refinancing his loan, and he'd had to argue for this. But NatWest's notes suggest that it discussed refinancing with him at the same time as it discussed a repayment plan. I do think it's likely that this was raised with Mr C, at this point.

NatWest said that it doesn't let people extend the term of their loan, if they have built up arrears. But I think it's important to bear in mind that what NatWest did instead, has put Mr C in what does seem to me to be a bit better position, than if his existing loan had been extended.

NatWest offered Mr C a new loan. This new loan was at a lower interest rate. Although Mr C hasn't shared with us the full details of his new loan, I can see that it has an APR of 17.2%,

with monthly payments of £298.08 for 65 months. Mr C's previous loan had an APR of 17.5%, with monthly payments of just over £500.

Mr C says that he was worse off with this loan, because he'd end up paying more interest. He said he'd paid it off, as he didn't want to do that.

I can see that this loan was due to run for much longer than his original loan. But I don't agree that he's worse off.

Our investigator said that Mr C could overpay on this loan. I'd also expect that he could do that, and I've not seen anything to suggest otherwise.

What that means is Mr C could have chosen to make bigger monthly repayments if he wanted. He could choose to pay perhaps £500 per month, the same amount as his old loan, if he wanted to. That would allow him to pay off the loan a lot faster. It would also greatly reduce the interest payable. And this new, refinanced loan also had the advantage that if he were to get into any difficulties again in future, he could then reduce his payments to £300 per month, without needing to discuss this with NatWest or to alter the terms of this new loan.

That's why I think that Mr C was actually slightly better off with his refinanced loan. I do understand that Mr C's overdraft was removed when this loan was refinanced, but Mr C hasn't complained about that.

I know Mr C will be disappointed, but for the reasons set out above, I don't think NatWest has been unfair or unreasonable, and I don't think it has to do any more. And that means this complaint won't be upheld.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 14 November 2022.

Esther Absalom-Gough  
**Ombudsman**