

The complaint

Mr M has complained about how Nationwide Building Society (“Nationwide”) handled a Covid-related payment deferral on his personal loan and about the level of service provided.

What happened

I issued a provisional decision. I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

In September 2020 Mr M contacted Nationwide asking for a Covid-related payment deferral on his loan. Mr M was told his request had been approved and payments for £1 a month would be taken in October and November 2020. I find this was fair and reasonable as Mr M asked for some support while his income was impacted by the pandemic, and he got it.

In October 2020 Mr M contacted Nationwide as a £1 payment hadn’t been taken. He was told he wasn’t in a payment deferral as he hadn’t been eligible for one. This was a mistake. Following a complaint from Mr M Nationwide eventually, in December 2020, accepted its error. However, by this time Mr M had made a contractual repayment (£611.25) which he would have preferred not to. Nationwide arranged to amend Mr M’s credit file and offered him £100 compensation, in total. I find this was fair and reasonable as it put Mr M in the position he should have been in and went some way to recognising the impact the mistake had on Mr M, although I don’t find the compensation quite sufficient.

At this point Mr M’s loan was supposed to be reworked. This was to clear the arrears and allow for lower repayments by extending the loan term, but this didn’t happen until it was chased up by Mr M. So Nationwide let Mr M down again here. In January 2021 Nationwide recognised its mistake, reworked the loan and offered Mr M a further £20 compensation. I find the action to rework the loan appropriate but consider the compensation insufficient.

Mr M has concerns about how much he’s been asked to repay under his reworked loan. The total amount repayable on Mr M’s original loan was £22,005, to be repaid over 36 months at £611.25 a month. This is on the assumption repayments are made on time and in full. As interest is calculated daily on the outstanding balance, any missed or reduced repayments result in more interest becoming payable. I would add here that payment deferrals don’t suspend interest.

When Mr M spoke to Nationwide on 9 December 2020, he was told the new loan would be repaid over 36 months at £431.11 a month. But by the time the loan had been reworked on 20 January 2021 it was to be repaid over 36 months at £442.79 a month. Mr M considers Nationwide’s delay has therefore led to him being asked to pay more.

My understanding is the difference comes from the outstanding balance differing between when the December 2020 quote was generated, and when the reworked loan was completed. This is because between those two dates no repayments were made to the account, but interest still accrued on the outstanding balance – this included £163.77 of interest on 21 December 2020 and £165.96 of interest on 20 January 2021. This meant when the loan was reworked the outstanding balance was higher, and that balance was also subject to interest, meaning the total amount repayable in January 2021 would be higher than it would have been in December 2020. This, in turn, meant the repayments needed to be higher so as not to increase the loan term.

Had the loan been reworked in December 2020 as it should have been, Mr M would have needed to make a repayment in January 2021. However, in part because of this delay Mr M didn't make a repayment then. This is something I consider he likely found helpful at this financially challenging time. So despite Mr M being asked to repay more, there is a reason for this. I'm satisfied what he's being asked to pay is an accurate reflection of the outstanding balance and how this type of loan operates. As the loan is now running well, and in light of the wider circumstances, I consider it would be hassle-some (and disproportionate) to both parties to retrospectively change things now.

Our investigator didn't consider £120 compensation, in total, was enough given the impact Nationwide's repeated mistakes had on Mr M at an already difficult time for him. He recommended Nationwide pay Mr M £200 compensation, in total. Having considered things in the round I don't think £200 is enough either. Mr M was given incorrect information on several occasions over a few months, and it was him whom had to act to get things put right. He also felt the need to make a fairly large repayment in November 2020 which he would have likely preferred not to, because he didn't know where things stood. This matter had an impact on his credit file which took some time to fix. I also note Mr M is aware a Nationwide staff member spoke about him in an unprofessional manner which caused him some upset. Taking all of this into account, I consider £350 compensation, in total, fairly and reasonably reflects the impact Nationwide's actions had on Mr M."

Mr M responded to my provisional decision to say he agreed with my intended compensation amount, but felt he should be refunded the interest he was charged in December 2020 and January 2021, plus any interest that interest will accrue over the term of the reworked loan.

Nationwide responded to my provisional decision to say it had nothing further to add.

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.

The interest Mr M accrued in December 2020 and January 2021 wasn't additional interest as such. Whether during the original loan period or the reworked loan period, interest accrued based on the outstanding balance. So I can't fairly require Nationwide to refund those amounts. And my view remains unchanged in that I'm satisfied what he's being asked to pay is an accurate reflection of the outstanding balance and how this type of loan operates, and in that it would be hassle-some (and disproportionate) to both parties to retrospectively change things now.

My final decision

I uphold this complaint and require Nationwide Building Society to pay Mr M £350 compensation, in total, in recognition of the distress and inconvenience he was caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 29 July 2022.

James Langford
Ombudsman