

The complaint

Mr W said when he contacted The Royal Bank of Scotland Plc to use the drawdown facility on his account, it said it wouldn't release the money, because it was due to reduce his drawdown facility in a few days. Mr W said he couldn't have known this would happen.

What happened

Mr W has a mortgage with RBS, that has an drawdown facility. He contacted RBS on 22 February 2022 to draw down £1,000, to pay for urgent work on his home. But RBS said that it wasn't able to give him the amount he wanted, because it was due to reduce his drawdown facility at the start of March, and if it gave him this money, it would need this back by the end of February, so he stayed within the available drawdown.

Mr W said that made no sense. He said that normally what happens with draw down is that the amount taken is then divided across the remaining mortgage period, and the repayments go up a little to cover the drawdown. That ensures his mortgage is still paid off within the original term.

Mr W said he rang back, and spoke with a different person at RBS, who said that if he'd been in touch three months earlier, then all the money he wanted would have been released to him. And that person was able to release £637, considerably more than he'd been offered earlier. Mr W later contacted RBS to take this drawdown.

Mr W said he couldn't find anything telling him that this was how the drawdown facility was supposed to work, and since he'd raised his complaint, he hadn't had any explanation of this.

Mr W said that this had delayed the urgent repairs he needed to complete, and left him short on his monthly budget. He wanted someone to explain to him what RBS was doing.

RBS said that the terms of Mr W's loan set out that the facility would reduce each year, and this facility was due to reduce on 1 March to £1,300. The facility goes down regularly to make sure that the balance is repaid at the end of the term. But if Mr W had called eleven weeks earlier, he could have had a larger drawdown.

RBS says that if customers ask for a drawdown within three months of an upcoming reduction in the facility amount, then it would ask if this could be reduced to keep the lending within the reduced facility amount when the upcoming reduction took effect. But it doesn't make the same check if someone calls more than three months from the facility reduction.

Our investigator didn't think this complaint should be upheld. He said that he'd looked at the terms of Mr W's account. He thought two bits were relevant, Section 6f –

6f. Where your Offer letter specifies that you are making full or partial capital payments, we will apply an annual reduction in the amount of your Facility so as to keep you on track to reduce the Facility to zero or to the amount agreed with you by the end of the Term.

N.B. If at any time the annual reduction in the Facility results in your borrowing on the Account being in excess of the Facility as reduced, we may specify increased Monthly Payments, after discussing this with you, and may impose special conditions.

And Section 3a –

3a. You may not make any withdrawal which increases the borrowing on your Account to more than the agreed Facility or otherwise allow the borrowing on your Account to be more than the agreed Facility.

So our investigator thought that RBS had turned down Mr W's request, because he would have been over the agreed limit by the time of the reduction. Our investigator said that businesses are allowed to set their own lending processes, so the three-month window to borrow is a commercial decision RBS is allowed to make.

Our investigator said Mr W was given two different amounts he could draw down. Both advisors gave correct information, but what the first advisor didn't do was to explain other options, which the second advisor did. Our investigator also noted that the service Mr W received when he was trying to speak to the right department fell below the standards we would expect to see.

So he said RBS should pay Mr W £100 compensation.

RBS agreed with that, but Mr W didn't. He said the problem wasn't the facility, it was that RBS wouldn't process requests to use the facility close to the reduction date. Mr W said if he'd been in touch with RBS 11 weeks earlier, it would have given him £4,800 in draw down funds, then spread the cost over the remaining term of the mortgage, increasing his mortgage by just over £100 per month to make sure the money was paid back within the term. Mr W said this wasn't an affordability issue.

Mr W said that this isn't explained anywhere in the terms. And when he asked RBS it couldn't show him anything that sets this out clearly. And he repeated that the customer service RBS provided was extremely poor.

Our investigator didn't think RBS's policy was a mistake. It is allowed to set its own lending processes, so the three month window before the annual reduction was a commercial decision for it. He said it wasn't unreasonable for RBS to prepare for the annual reduction within a certain time frame.

Our investigator didn't agree that RBS was entirely unempathetic and failed to provide decent customer service. The second agent Mr W spoke to did manage to find a way to help him. But there were elements of poor service, that's why RBS had agreed to pay £100.

Mr W said he still didn't understand why RBS could lend him 650 but not £1,000. Because no agreement was reached, this case was passed to me for a final decision.

I then reached my provisional decision on this case.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

Our investigator showed Mr W two sections from the terms of his drawdown facility. I think those are important, because what they show is that RBS does want to keep Mr W's overall borrowing within the limit of his drawdown facility.

Those provisions say that if a reduction leaves Mr W over the agreed facility, RBS can get in touch and ask Mr W to pay more each month, to bring the amount lent within the annual limit. And the provisions also say that Mr W can't allow the borrowing to be more than the facility agreed.

RBS has two ways of keeping Mr W's borrowing within the facility limit. One is to contact him, after the facility has been reduced, and ask him to pay more each month. That's set out clearly in his terms.

So, although RBS seems to have confirmed to Mr W that if he'd been in touch with it more than three months before the facility reduction, it would have lent him money right up to the drawdown limit, the terms say when the facility is reduced RBS can then ask him to pay this overlimit amount back much faster.

The other way of keeping Mr W's borrowing within the facility limit, is to refuse additional lending which would take him over any upcoming reduction in his facility, during the three months before this reduction takes effect.

Because RBS has said it doesn't want Mr W to go over this drawdown facility amount, I don't think that refusing further lending in this way, breaches the terms of his agreement with RBS.

But the problem is, that it really isn't clear that RBS is going to do this. I haven't been able to see that it has explained this for Mr W anywhere. And it's a fundamental principle of communications issued by banks that they should be "*clear, fair and not misleading.*"

I think if Mr W is told that he has a facility which allows him to borrow £4,000 during a twelve month period, but what RBS really means is he can only borrow that during the first nine months, and during the last three months he can only access much less, then that isn't clear, fair and not misleading.

So, I don't think RBS had to lend Mr W the full amount of money that he wanted. But I do think it let him down, in how it communicated to him about how this facility works. Mr W got in touch with RBS because he was seeking to deal with a home emergency. He thought he had a way of covering this unexpected expense, and then suddenly found he did not. And I also agree with our investigator that Mr W experienced poor service when he first spoke to RBS, as well as when he tried to get back in touch with someone who could help him.

For those reasons, I think that RBS should pay Mr W a little more compensation than our investigator suggested. I think RBS should pay Mr W £200 in compensation, to make up for the distress and inconvenience caused by its unclear communications, as well as by its lapses in service.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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.

RBS said it was happy to agree with my findings, and pay the additional compensation I had suggested.

Mr W thanked me for my response and my detailed explanation. He said he did understand RBS's position, but he didn't agree with how it had come to a decision. He felt strongly that if he was told he had a drawdown facility of a particular size, then it oughtn't to be reduced without a clear explanation of when this reduction would take effect.

Mr W also said his point remains that if he'd asked some weeks earlier, RBS would have agreed to lend him much more, paid back over the whole remaining term of the mortgage. What he had asked for represented a much smaller amount, over a shorter time, so he said that this was a much lower risk to the bank in terms of its lending.

It's also my understanding that if Mr W had asked earlier, RBS would have agreed to lend more, and over a longer period. But the terms of Mr W's drawdown facility also say once his drawdown amount is reduced, RBS can then ask Mr W to pay this money back faster than it had previously set out, to bring the overall borrowing within the reduced facility amount. And that means I cannot be clear that, if Mr W had asked earlier, he would have been able to spread the repayments for a larger drawdown over the whole of his mortgage.

So I haven't changed my mind. I'll now make the decision I originally proposed. Mr W has indicated that he would like to accept this, and asks RBS to pay this into his mortgage facility account. I should remind Mr W that he will need to contact our service again, and formally accept this, my final decision, before RBS is obliged to make any payment.

My final decision

My final decision is that The Royal Bank of Scotland Plc must pay Mr W £200 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 15 September 2022.

Esther Absalom-Gough

Ombudsman