

The complaint

Mr O complains about National Westminster Bank Plc (NWB) and their failure to honour an extension to his personal loan.

What happened

Mr O held a personal loan provided by NWB, which had payments deferred on two occasions due to the impact of COVID-19. These deferrals led to a build up of arrears on the loan account, which Mr O decided to repay by extending the period of the loan after being offered this option by NWB.

But Mr O's payment towards the loan wasn't taken in November 2021. And he was made aware by NWB at this point that this was because a loan extension shouldn't have been offered as there had already been deferrals on the account. So, NWB made Mr O aware he'd need to agree a repayment plan to clear the arrears, reporting to Mr O's credit file while this was agreed. Mr O was unhappy about this, so he raised a complaint.

Mr O was unhappy that NWB had offered a loan extension and felt that, by removing this option, they had breached the loan extension contract he'd signed. So, Mr O wanted to be compensated for the upset this caused him and for any information reported to his credit file to be removed.

NWB accepted they had offered Mr O a loan extension when they shouldn't have. So, they offered Mr O £100 to recognise the upset this caused. But they didn't think Mr O's credit file had been impacted. Mr O disputed this, and NWB agreed to ensure no negative information was reported to Mr O's credit file while a repayment plan was agreed. But in June 2022, Mr O complained that his credit report was still being affected. NWB accepted they had reported to Mr O's credit file when they shouldn't have, so they agreed to remove any negative information. And they offered Mr O another £100 in compensation. Mr O remained unhappy with this response, so he referred his complaint to us.

While the complaint was with our service, NWB offered to pay Mr O a further £50, taking the total compensatory offer to £250. And they agreed to monitor Mr O's credit file to ensure any further negative information reported would be removed until the repayment plan was satisfied.

Our investigator looked into the complaint and upheld it. They agreed NWB had acted unfairly when they offered Mr O a loan extension he wasn't eligible for. And they accepted NWB had reported to Mr O's credit file unfairly, considering this. But they thought the £250 NWB had now offered, plus the agreement to ensure Mr O's credit file was monitored and any other negative information removed, was a fair one. So, they didn't think NWB needed to do anything more, on top of this.

Mr O didn't agree. He explained his credit file was continuing to be impacted. And he maintained his belief that NWB had breached contract law by not honouring the extension both he and NWB had signed. So, he didn't think the offer was enough to compensate him for the upset he'd been caused, and the error that NWB had made. As Mr O didn't agree, the

complaint has been passed to me for a 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.

Having done so, I'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Before I explain why I've reached my decision, I think it would be useful for me to explain exactly what I've been able to consider, and how.

I recognise Mr O has made several comments regarding NWB's actions and his belief that they've breached contract law. But it's not our services role to make determinations on the legality of a contract, or whether a law has been broken. This would be a matter for the courts. Instead, it's my role to consider the actions of NWB and decide whether I think they were both fair and reasonable.

And I also recognise Mr O has suggested our service asks NWB to show how they've managed all other loan extensions to see whether any extensions were provided to others who'd had previous deferrals. But our service is an independent organisation set up to investigate individual complaints based on their own circumstances and merits. So, I wouldn't expect NWB to provide our service with this information nor do I think it's relevant to the decision I've reached. So, I've focused my decision on NWB's decision to offer Mr O a loan extension, before rescinding this. And the impact this then had on Mr O and his finances.

From what I've seen, it's not in dispute that NWB made an error when they offered Mr O the chance to extend his loan to clear the arrears. NWB have accepted that, by offering this option, they failed to manage Mr O's expectations regarding how he'd be able to repay his arrears.

And NWB have accepted because of this, it was unfair of them to report missed payments to Mr O's credit file. And that it's also unfair for any additional negative information to be reported up until the time Mr O has cleared his arrears, as with an extension Mr O's credit file wouldn't have been affected.

As NWB have accepted they've acted unfairly, I haven't commented on this any further. Instead, I've turned to the main area of dispute, which centres around what NWB should fairly do to put things right.

Putting things right

When thinking about what NWB should do to put things right, any award or direction I make is intended to place Mr O back in the position he would've been, had NWB acted fairly in the first instance. And importantly, this shouldn't place Mr O in a position of betterment, as we are an impartial service that must ensure fairness to both parties.

From what I've seen and been able to ascertain, the error NWB made was offering Mr O the option of a loan extension, which they were unable to authorise as Mr O had already had payment deferrals on the account. So, if NWB had acted fairly, this option wouldn't have been offered to Mr O and he would've been told correctly that he'd either need to clear the arrears or agree a repayment plan.

I've seen Mr O entered into a repayment plan in January 2022 and so, I think it's reasonable for me to assume this is the likely course of action Mr O would've chosen as the time. So, any award or direction I make must place Mr O back in this position. I appreciate Mr O thinks the extension contract both he and NWB signed should be enforced but as I've already explained above, the legalities of a contract and its enforcement would be a matter for the courts, not our service.

Had Mr O arranged a repayment plan earlier, I don't think he would've missed the payments reported to his credit file from November 2021 to January 2022. So, I'd expect this information to be removed and I'm glad to see NWB have already taken steps to ensure this is done.

But when a repayment plan is agreed, this plan is usually reported to a customer's credit file. I can see NWB have recognised the offer of a loan extension led Mr O to believe his credit file wouldn't be impacted and so, agreed to ensure any information reported to his credit file is removed up until September 2022. I think this a fair offer, and one I endorse.

As Mr O is on a repayment plan, from what I can tell it seems NWB's system reports to Mr O's credit file automatically. So, they are having to remove information from Mr O's credit file each month, once it's been recognised by their relevant team. I appreciate this isn't ideal for Mr O, but I've seen evidence that satisfies me this process is set up to ensure that Mr O's credit file will have no negative information recorded once the arrears have been paid. And I think this is fair. While I do think it would be preferential for NWB to prevent the reporting in the first place, the way in which NWB's system automatically reports to a customers credit file is a business process, and this is something our service is unable to direct them to change.

But I have seen evidence that shows NWB haven't always processed the alterations to Mr O's credit file correctly. And I think this would've been upsetting and frustrating for Mr O. I also think it would've been upsetting and confusing for Mr O to discover the loan extension he thought had been agreed couldn't be processed. I also accept it's been inconvenient for Mr O to enter into several discussions with NWB about the situation, with several complaints being raised over a relatively short period of time. So, I think NWB should compensate Mr O for this upset and inconvenience.

I can see NWB have already paid Mr O £200 to compensate him for this. And since Mr O brought his complaint to us, NWB have offered to pay Mr O a further £50, bringing the total compensatory amount to £250. And I think this total amount is a fair one, which falls in line with our service's approach and what I would've directed, had it not already been made.

I think it fairly takes into consideration the error NWB made, and the impact this had on Mr O's expectations and the upset that followed. But I think it also fairly recognises the fact that NWB have agreed to ensure Mr O's credit file has no negative information reported by the time the arrears are cleared, which actually leaves Mr O in a more preferential position that he would've been had he entered into a repayment plan as soon as the original loan expired. So, I think NWB should pay Mr O the additional £50.

My final decision

For the reasons outlined above, I uphold Mr O's complaint about National Westminster Bank Plc and direct them to take the following action:

- Pay Mr O an additional £50, taking the total compensatory amount awarded to £250 overall.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 6 October 2022.

Josh Haskey
Ombudsman