

## **The complaint**

Mrs N complains National Westminster Bank Plc (NatWest) didn't apply a six-month payment holiday to her personal loan account.  
Mrs N is represented by Mr N.

## **What happened**

In October 2016, Mrs N took out a £13,000 personal loan with NatWest with monthly repayments of £279.73. In February 2020, Mrs N got in touch with NatWest after she'd a missed payment. A payment plan was agreed for Mrs N to pay an addition £97.43 each month for six months to bring the account back up to date.

But the pandemic resulted in Mrs N being furloughed from her job. Having seen the financial help that was on offer during the pandemic Mr N asked NatWest for a payment holiday to be applied to the account.

He said he was told one month would clear the arrears and this would leave Mrs N with a five-month payment holiday. But Mrs N continued to get messages about arrears on her account. Mr N said he was passed between departments and told the payment holiday would be applied. But later he said he was told that only five months and not the six months could be applied. He complained to NatWest.

Nat West said that Mrs N also had a mortgage account with them and there had been discussions about payment holidays for that account. They said Mrs N didn't qualify for a payment holiday for her loan account but as a gesture of goodwill they offered to pay £100, remove some interest and to amend Mrs N's credit file.

Mr N said he'd been told the payment holiday would be applied in several calls and because NatWest hadn't applied the deferral correctly the account was now in arrears and accruing additional interest. He said if they'd been told correctly when they got in touch with them, they wouldn't now have the arrears they have on the account as they could have asked family to help them. He complained further to NatWest.

NatWest said Mrs N's loan deferral complaint had been resolved and they'd paid £100 compensation, refunded arrears interest, and removed adverse data from her credit file for the period July 2020 to December 2020. They said this resolution had been accepted by Mr N over the phone. They said while they'd resolved Mrs N's complaint by treating the missed payments between July 2020 to December 2020 as a payment holiday they couldn't agree to a term extension as the January 2021 payment wasn't made, and Mrs N had pre covid arrears.

Mr N wasn't happy with NatWest's response and referred Mrs N's complaint to us.

NatWest to settle the complaint offered to compensate Mrs N a further £100.

Our investigator said this complaint was about the term extension as Mr N had accepted the resolution for the allocation of the payment holiday complaint. But he considered what had happened over both complaints as it was relevant. He said NatWest should have explained

that pre-existing arrears meant a term extension couldn't be agreed. But the additional £100 offered by NatWest to put things right was fair and reasonable.

Mr N didn't agree he said because NatWest hadn't honoured the six-month payment holiday they were now over £3,000 in arrears and the interest to pay it back was now a further £100 per month. He asked for an ombudsman to decide.

### **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.

Mrs N also has a mortgage account with NatWest and there were discussions about the repayments for this account. Mrs N's complaint is about her personal loan account, so I've only considered what happened with her personal loan account in reaching my decision.

From what I can see in February 2020 Mrs N spoke to NatWest as she'd missed some payments after changing her bank account which meant the direct debits didn't transfer across. I've listened to the call and Mrs N's income and outgoings were discussed. And a payment plan agreed. The impact of accrued interest and missed payments was also discussed. The agreement was that Mrs N would pay an additional £97.43 over the next six months to bring the account up to date.

I can see from Mrs N's payment history that the monthly repayment of £279.73 and the additional payment of £97.43 was made in February, March, April and June 2020 but she missed the payments for May and July 2020. As Mrs N didn't maintain the payment plan it would have been considered as broken.

In April 2020 after Mrs N's job was affected by the pandemic Mr N asked NatWest for a payment holiday. The Financial Conduct Authority (FCA) to recognise the implications of the pandemic issued temporary guidance for personal loans on 9 April 2020. And was further updated in June 2020. The guidance was intended for consumers who had been impacted by the pandemic which prevented them meeting their credit commitments. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. And made clear that the existing guidance (CONC) was in place for those with pre-existing arrears.

*"Where a customer was in pre-existing financial difficulty, our existing forbearance rules and guidance in CONC 7 would continue to apply. These would include for example the firm considering suspending, reducing, waiving or cancelling any further interest or charges, deferring payment of arrears or accepting token payments for a reasonable period of time."*

And I think this is the crux of the complaint. Mr N was asking for deferral because of the pandemic and expected six months payment holiday. NatWest said this was considered for the mortgage account, but the personal loan account was already in arrears and an agreed plan had been broken. The measures brought in by the FCA are clear that a payment deferral shouldn't be applied where there were prior arrears, as is the case here. So, I don't think NatWest acted unreasonably in not deferring Mrs N's payments for her personal loan account under the FCA Covid guidance. But I don't think this was properly explained to Mr N so I can understand his frustration.

I can see that when Mr N called to ask for a further deferral as he wasn't in a position to pay the October 2020 payment he was clearly told in that call that the payment holiday hadn't been put into place as Mrs N had broken the agreement she'd previously made. I think NatWest could have provided clearer information, sooner. And they sought to put this right in April 2021, NatWest apologised and waived arrears interest of £94.14, paid compensation of £100, and amended Mrs N's credit file to remove any missed payment information for July 2020 to December 2020. Which Mr N accepted.

But Mr N is of the opinion that in taking this action NatWest have only applied a five month payment holiday and not the six months. And by not taking the deferral action Mrs N's account remained in arrears and had incurred additional interest. But NatWest didn't apply a payment holiday to the account for the reasons outlined above. But in resolving the complaint they've amended Mrs N's credit file so that the payments that were missed haven't been reported to her credit file. Which is what would happen if a payment holiday had been in place.

Mr N also feels that they've incurred additional interest because the payment holiday wasn't put into place. But any loan deferral such as a payment holiday doesn't mean the payments aren't made, they're only suspended, and this means the loan period is extended. So, the loan is repaid over a longer period and does result in additional interest being incurred.

I can see from NatWest's notes that when Mr N asked for a loan deferral after December 2020, he was correctly informed that Mrs N wasn't entitled to a payment deferral because of the existing arrears. Mr N was expecting further correspondence from NatWest about this that wasn't sent and he had to contact them again in April 2021. But I can see that Mrs N and NatWest have since agreed a repayment plan.

As set out above, NatWest could have provided better customer service. NatWest apologised and offered Mrs N a further £100 compensation in recognition of the inconvenience their service failings caused her. In the overall circumstances of this complaint I consider that fair and reasonable. So, I won't be asking NatWest to pay any further compensation.

### **My final decision**

I partially uphold this complaint. And ask National Westminster Bank Plc to pay Mrs N the offered £100 for the distress and inconvenience caused by their customer service failings.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 19 October 2022.

Anne Scarr  
**Ombudsman**