

The complaint

Mr G says National Westminster Bank Plc was unfair to decline his application to convert his mortgage to interest only and increase his borrowing.

What happened

Mr G has a repayment mortgage and other banking products with NatWest. In February 2022 he applied for additional borrowing and to switch to interest only payments. Mr G considers himself a low risk customer and says it was unfair for NatWest to decline his application. He says as a premier customer he should be able to access all of the products offered by NatWest. Mr G says he was told his application was declined due to NatWest writing off a business loan in 2018. He says this is unfair and a breach of data protection rules.

I sent a provisional decision which said, in summary, that NatWest declined Mr G's application fairly and in line with its lending criteria. I said while there was poor communication and a delay in NatWest refunding the product fee, the £100 compensation it offered was fair.

Both parties agreed. In the circumstances, I see no reason to change my findings from my provisional 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.

Lenders are entitled to make a commercial decision about their lending criteria. They don't have to share their criteria with customers.

In early March 2022 NatWest told Mr G his application was declined due to adverse data coming to light. Mr G says his relationship manager told him this related to NatWest having written off a loan (of about £60,000) in 2018. NatWest has confirmed this was the reason. Mr G's application didn't meet NatWest's lending criteria. I don't think it made an error or treated him unfairly when it declined his application.

I think it was fair for NatWest to consider how Mr G had managed loan repayments in the past. This would include the business loan that Mr G had guaranteed and which wasn't repaid in full.

Mr G says NatWest didn't tell him that writing off this debt would affect future loan applications. But I don't think Mr G would have acted differently if it had. In 2014 Mr G told NatWest he was living overseas and wasn't worried about the debt affecting his credit file. This suggests Mr G was aware that there could be adverse consequences from failing to pay the debt, even if he wasn't worried about this at the time. NatWest was in discussions with Mr G about the debt for some years, with Mr G saying consistently that he couldn't afford to repay it. When Mr G made an offer of full and final settlement of the debt he told NatWest

that was as much as he could afford. So Mr G wasn't in a position to repay the debt in full, regardless of how this might affect his ability to borrow in future.

NatWest provides information to customers about how it uses data. Other than in relation to his loan application, Mr G hasn't said how he feels his data has been misused. As I've said, I think it was fair for NatWest to take into consideration the business loan that Mr G guaranteed and which wasn't repaid in full. If Mr G considers this is a breach of data protection rules he can consider contacting ICO.

Mr G says he's paid a monthly fee to be a premium customer. He says NatWest shouldn't have accepted his business if it didn't consider he was an acceptable customer. From what Mr G says he has a number of banking products with NatWest, and he chose to pay a fee to be a premium customer. That doesn't mean that NatWest has to offer further borrowing to him or agree to change the terms of his borrowing, and I haven't seen anything to suggest that NatWest told Mr G it would. I don't think it's fair and reasonable to require NatWest to refund any fees or profit related to Mr G being a premium customer.

NatWest did make an error when it didn't refund the product fee (of £995) until early April 2022. And it didn't confirm in writing that Mr G's application was declined. NatWest offered £100 compensation for this, which I think is fair and reasonable in the circumstances.

My final decision

My decision is that National Westminster Bank Plc should pay £100 to Mr G, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 28 October 2022.

Ruth Stevenson
Ombudsman