

## The complaint

A partnership, which I'll refer to as "T", complains about the way National Westminster Bank Plc ("NatWest") administered its business loan after it fell into arrears.

The complaint is brought by T's partners, Mr and Mrs K.

## What happened

T held a business loan with NatWest.

T agreed a three-month repayment holiday with NatWest on the loan in or around August 2019. The contractual monthly payment around this time was a little over £770.

No payments were made to T's loan between August and November 2019. Payments restarted in December 2019, when a payment of £2,317.41 was made. This left the account in arrears of one month's payment.

Mr and Mrs K made the contractual monthly payments that fell due between January and March 2020. But in light of the impact that the coronavirus pandemic had on T, they then sought another repayment holiday on the loan from NatWest.

NatWest said it couldn't agree another full repayment holiday, but instead put in place a three-month "forbearance plan". Under the arrangement, Mr and Mrs K made token monthly payments of £1 for April, May and June 2020.

The contractual monthly payments of around £770 were to resume in July 2020, but this payment was missed.

NatWest was in touch with Mr and Mrs K over the months that followed, but no further payments were received and no other arrangements were agreed. Arrears therefore continued to accrue, ultimately leading NatWest to default the loan. The bank instructed a third-party debt collection agency in February 2021.

Mr and Mrs K resumed making payments to the account in January 2021, typically paying between £50 and £250 each month until, in September 2021, they made three larger payments to settle the debt in full.

Mr and Mrs K don't think NatWest treated them fairly in light of the financial hardship and broader difficulties – including ill health – they were experiencing as a result of the coronavirus pandemic. They said they'd maintained an intention to clear the debt, and had actually wanted to pay more at various points through 2020 and 2021 – including during the forbearance plan – but NatWest had failed to properly consider their proposals or communicate with them effectively, which had prevented them from doing so.

NatWest doesn't agree that it did anything wrong, other than accepting that it failed to respond to one email from Mr K in July 2020. The bank says this was superseded by its own numerous attempts to reach Mr and Mrs K on expiry of the forbearance plan, but it didn't

receive their income and expenditure (“I&E”) details. It says it needed these to assess a suitable way forward, and without them was left with no alternative than to initiate recovery action in December 2020. While the I&E information was subsequently received, this didn’t demonstrate any affordability – so no other arrangements could be agreed, and the recovery action was continued.

One of our investigators reviewed T’s complaint but didn’t recommend that it be upheld. In summary, she said:

- NatWest had acted reasonably in agreeing the forbearance plan, noting that Mr K had advised the bank that T was unable to meet its obligations but expected to be back on top of its finances within three months. Had Mr and Mrs K wanted to pay more during this time, as they’d suggested, they’d not been obliged to accept the plan and could have made larger payments if they’d wished.
- NatWest had confirmed the details of the plan to T in writing, which included that the contractual monthly payments would resume in July 2020 – at which point they should contact the bank to discuss their options. No payment was received. The bank had also explained that failure to reach a satisfactory agreement would lead to a default and formal demand being issued.
- While noting some contact from Mr and Mrs K over the months that followed, NatWest had made a number of attempts to discuss matters but through no fault on its part had been unable to do so. This was primarily because the bank hadn’t received Mr and Mrs K’s I&E information.
- It was T’s responsibility to resolve the arrears position and she thought NatWest had given it sufficient time and opportunity to do so, before defaulting the account and instructing recovery action.

T didn’t accept our investigator’s view and asked that the complaint be reviewed, so it was passed to me 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.

Having done so, I’ve reached the same conclusion as our investigator and for broadly similar reasons. I’ll explain why.

When alerted to Mr and Mrs K’s financial difficulties in early 2020, I think NatWest took reasonable steps to help in arranging the three-month forbearance plan. The bank took details of Mr and Mrs K’s circumstances – noting that T’s income had ceased, arrangements with other creditors had been made and that Mr K was recovering from some ill health. The bank’s notes also show that Mr and Mrs K envisaged their difficulties being short-term, and expected things to be back under control within three months. The forbearance plan, therefore, strikes me as an appropriate measure – requiring only the token payment of £1 a month over the three-month period, giving Mr and Mrs K some breathing space while they dealt with the impact of the pandemic on their affairs.

Mr and Mrs K have expressed some unhappiness that NatWest set the payment as low as £1 under the forbearance plan. But the information they provided to NatWest at the time suggested they were unable to pay any more. In any case, I don’t think this prejudiced their

position. If they'd wanted to pay more, they could have chosen to do so – £1 was the minimum, with nothing prohibiting them from paying additional amounts.

After the plan ended, Mr and Mrs K didn't resume the contractual monthly payments. And an alternative arrangement wasn't agreed with NatWest. Mr and Mrs K say this is due to shortcomings on the bank's part, but I don't agree. I can see there was at least one occasion on which NatWest didn't respond promptly to an email sent by Mr K (for which it subsequently apologised); but looking at the record of contact from July until the loan was defaulted in December, it is evident that NatWest made a number of attempts to discuss the matter with Mr and Mrs K. And while several conversations were had, Mr and Mrs K didn't provide the income and expenditure details that the bank had been trying to obtain from September onwards. This information was legitimately needed, so that the bank could assess what level of payment Mr and Mrs K could afford – and so no arrangement could be agreed without it.

During this time, Mr K sought to offer some reassurance to NatWest that T's circumstances would improve imminently, such that payments would resume. But payments continued to be missed, and the I&E information NatWest repeatedly asked for remained outstanding. The bank's contact records also show that scheduled calls were often postponed by Mr K, and calls made by NatWest went unanswered.

With the level of arrears in excess of 10 months' payments and with no arrangement in place – or any information on which to consider an appropriate way forward – I don't think NatWest acted unreasonably in defaulting the loan when it did. It did so only after giving T ample time and opportunity to address the situation. While Mr and Mrs K did express a willingness to make payments, this wasn't acted upon – and I can't see that this was down to an error on NatWest's part, either in its communication with them or in its handling of the matter more broadly.

After the loan was defaulted, NatWest instructed debt recovery agents. That was a step it was entitled to take. Given all I've said about the way the loan was being managed by this time and given that the bank's attempts to reach a way forward with Mr and Mrs K hadn't yielded a mutually acceptable way forward, I don't think this was an unreasonable course of action.

I appreciate that these events arose during what was a difficult time for Mr and Mrs K. I'm sorry to hear of both the financial and personal difficulties they were dealing with, as well as the impact that the issues relating to the loan in question had on their wellbeing. But for me to uphold the complaint, I'd need to find that NatWest did something wrong or treated them unfairly. For the reasons I've explained, I don't think it did – so there is no basis on which I could require it to take any action in response to this complaint.

### **My final decision**

For the reasons set out above, I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 16 February 2023.

Ben Jennings  
**Ombudsman**