

The complaint

A partnership, which I'll refer to as "T", complains about the way National Westminster Bank Plc ("NatWest") handled its redemption of a business loan.

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

What happened

T held a business loan with NatWest. The loan was secured by way of a legal charge against a tenanted rental property.

Mr and Mrs K are unhappy with how NatWest dealt with various administrative aspects relating to their attempts to settle the loan, in connection with their sale of the property to the existing tenant. They say:

- NatWest didn't respond to a number of their requests for a redemption statement, causing delays in their repayment of the loan.
- NatWest sent correspondence about the loan to the address of the mortgaged property, rather than Mr and Mrs K's home. The tenant received and opened the letters, which jeopardised the property sale.
- There were delays in NatWest releasing its charge over the property after the outstanding loan balance was repaid.

Mr and Mrs K say that errors on the bank's part meant they had to waive three months' rent, from September to November 2021, in an effort to placate the tenant and ensure the sale went ahead. They also say that delays in completing the transaction meant they couldn't go ahead with their prospective purchase, as they'd missed out on a temporary Stamp Duty Land Tax reduction and couldn't afford to go ahead without it – so were left having to rent instead. And they say that the issues took a toll on their mental health, causing them significant stress during an already difficult time.

In response to Mr and Mrs K's complaint, NatWest accepted that there was a delay in sending the relevant documents to the Land Registry in order to release the bank's charge. It offered £500 for the distress and inconvenience this had caused. But it declined to comment on other matters, pending their review by our service.

Our investigator thought the complaint should be upheld. In summary, she said:

- NatWest had failed to respond to a number of T's requests for a redemption statement, between October 2020 and August 2021. That said, there'd been opportunities for T to follow up on its request during this time. And, in the end, T had successfully repaid the loan without obtaining the statement – so it could have done so earlier.

- NatWest had sent a redemption statement, but posted it to the mortgaged property address. While this was the correspondence address NatWest held on file for T, Mr and Mrs K had previously asked for letters to be sent to their home address. And the bank hadn't addressed the redemption statement to Mr and Mrs K (or to anyone else). So this correspondence had been sent to and seen by a third party – the tenant, who was buying the property.
- NatWest had accepted that it caused delays in releasing its charge. There had been a delay of around a month in actioning the necessary request to the Land Registry, which should have been processed by 24 September but was only completed at the end of October. The removal of the charge was, though, still subject to the Land Registry's process, for which a timescale of 8-12 weeks was given.

To put things right, our investigator recommended that NatWest increase its offer of compensation to £800, recognising the additional distress and inconvenience caused by the errors in how it provided the redemption statement. But she said T hadn't provided any evidence of the losses it had claimed in respect of its prospective purchase, so there was no basis for an award in that respect. And she didn't think that NatWest needed to reimburse T for the rent waived between September and November, given that the bank had shown it had asked for the charge to be released in October and any hold-up thereafter wasn't its fault. She also noted that if the sale had gone ahead sooner, T wouldn't have received the rental income anyway.

NatWest accepted our investigator's view, but T didn't. So the complaint 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 also found that there were shortcomings in how NatWest dealt with T during its attempts to repay the business loan. The bank has accepted as much. The main question for me to decide is how to fairly compensate T for the impact that these errors had. To that end, I think the £800 that NatWest has now agreed to pay is a fair way of putting things right. I'll explain why.

I can see that T made a number of requests to NatWest for a redemption statement from October 2020 onwards, to which the bank failed to respond. While I don't think this had much of an impact on Mr and Mrs K at the time the request was initially made (as they weren't looking to repay the loan in the immediate future), the situation became increasingly urgent through August and September 2021 as they were looking to complete the sale of the property.

When a redemption statement was eventually issued in early September 2021, it was sent to the address of the property against which the loan was secured – rather than Mr and Mrs K's home address. There was some fault on both sides in that situation arising, as evidently Mr and Mrs K had initially told NatWest that the property address was their correspondence address and hadn't formally requested a change. But I've seen that Mr and Mrs K did tell the bank to write to them at their home address in some email exchanges, so it ought reasonably to have acted on this instruction. This was compounded by the fact that the redemption statement wasn't specifically addressed to Mr and Mrs K – so, quite understandably, the recipient (T's tenant, and the purchaser of the property) opened it without knowing who it was meant for.

Once the redemption figure was known, Mr and Mrs K paid the amount required to settle the loan in three payments across 9 and 10 September 2021. The bank says that it should then have completed the necessary steps to initiate the release of its charge over the property within 10 working days – being 24 September. However, the bank's records indicate that it only took the necessary action on or around 26 October. So it delayed things by about a month.

I've thought about whether T suffered a financial loss as a result of the errors on NatWest's part and the delays they caused. But I don't think it did. I say this because:

- T didn't incur any additional charges or interest on the loan as a result of any delay in redeeming it. Mr and Mrs K say they would've repaid the loan in April 2021 if they'd been given the statement earlier. But that's hard for me to substantiate, and the evidence that I do have doesn't support it. They continued to pay far less than the contractual monthly payment between April and September, when they could have overpaid or cleared much of the balance, even if they didn't know the precise amount required to settle it altogether. In any event, it didn't cost them any more to redeem the loan when they did than it would have done in April – because no interest was charged from December 2020, when the loan was defaulted, and no other charges were applied after that time either.
- Even if I accept that NatWest's errors in providing the redemption statement did delay the redemption of the loan, I've not seen that this necessarily delayed the completion of the sale. I appreciate that the loan needed to be redeemed in order for the sale to complete, but such transactions hinge on a variety of factors, and there's insufficient evidence for me to say when the transaction would have completed if NatWest had issued a redemption statement earlier. And even if I could see that NatWest had directly caused the delay of the sale, Mr and Mrs K haven't evidenced their claim that this left them unable to purchase a new property.
- I've not seen that it was necessary for T to waive their entitlement to rent from the tenant (and purchaser) as a result of the errors on NatWest's part. I understand Mr and Mrs K agreed in mid-August that they wouldn't be seeking rent beyond that month. That was a choice they made to ensure the transaction went ahead, but I'm not persuaded that it was something they had to do because of the problems with the redemption statement, and it was evidently agreed prior to the issues with the bank releasing its charge that only arose in September.

However, I can see that errors on NatWest's part caused Mr and Mrs K some understandable distress and avoidable inconvenience. Delays in obtaining the redemption statement meant they had to chase the bank up on a number of occasions, and also led to further dialogue with their solicitors and estate agents due to its importance to the property sale. The same is true of the delays on the bank's part in releasing its charge over the property. The fact that their tenant and the property purchaser ended up with a copy of their redemption statement would also have been alarming to them. Selling a property is a stressful enough process in itself and the bank's repeated errors would have exacerbated this. I'm also mindful that this was already a difficult time for Mr and Mrs K, who had been suffering from ill health and experiencing a level of financial hardship.

It's right that NatWest compensates Mr and Mrs K for the distress and inconvenience its errors caused them. Taking all of the above into account, and having carefully considered all they've said and provided to us about the impact these issues had on them, I think a payment of £800 is a fair way of doing so.

My final decision

I uphold this complaint and require National Westminster Bank Plc to pay T compensation of £800.

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