

The complaint

Mr C and Mrs C complain about The Royal Bank of Scotland Plc (RBS) and the service they received after they made RBS aware they were in short-term financial difficulty which impacted their ability to pay their loan account.

Mr C has represented both himself and Mrs C throughout the complaint process. So, for ease of reference, I've referred to the actions taken, and comments made, by both as "Mr C" throughout the decision.

What happened

In the summer of 2020, RBS provided Mr C with a loan of £50,000 payable over a 10-year term to provide additional funds to help complete his property build. But the following year, due to issues with the builder instructed to complete the building works, Mr C's build was delayed, meaning he was unable to draw down the next available part of his mortgage funding the build overall.

So, Mr C took legal action against the builder stating he'd been victim of fraud. And at the same time, he contacted RBS to make them aware of his situation as he had no means of paying his monthly payment towards the loan.

RBS agreed to a Financial Hardship Plan (FHP) in June 2021, where it was agreed that Mr C would pay a token £10 each month for the next three months while interest on the account was frozen. But RBS explained arrears would continue to build during this time as Mr C wasn't paying his contractual monthly repayment, and that this would be reported to his credit file. Mr C accepted these terms. And a further three-month FHP plan was agreed in September, as Mr C's financial situation hadn't improved.

This second FHP ran out, and Mr C spoke to RBS to request a third plan. But RBS explained they were unable to provide this as Mr C was now six months in arrears and so, he didn't qualify. So, they directed Mr C to seek free debt management advice while placing the account on a 30-day hold. Mr C sought this advice, but he's said he was referred back to RBS to arrange a suitable repayment plan.

In February 2022, Mr C spoke to RBS and submitted an income and expenditure report in the hope of agreeing a way of consolidating his outstanding loan and overdraft balances together. Mr C also submitted a proposal to take additional lending to fund the cost of a caravan to reduce his living costs and so improve his affordability. But RBS rejected both of these proposals, as Mr C hadn't shown an affordability to repay his outstanding debts. Mr C was unhappy with this and wanted to challenge RBS' decision. As Mr C was unhappy, RBS treated Mr C's challenge as a complaint.

Mr C was unhappy with RBS decision not to approve additional lending, or a way to consolidate his existing debt. He explained he'd been left in this situation due to actions outside of his control and he thought RBS should've taken this into consideration, as well as his loyalty as a customer over several years. He was also unhappy that he felt RBS had told him he could add his arrears to the existing loan and extend its term, only to be told later that

this wasn't an option. Mr C felt RBS had led him to take actions that had negatively impacted his credit file and he didn't think this was fair. So, he wanted RBS to provide him the option of consolidating his outstanding debts and to remove any negative information reported to his credit file.

RBS responded and didn't agree. They felt the advice they provided, and their decision to refuse further lending, was correct due to Mr C's affordability at the time. And they explained that any information reported to Mr C's credit file was an accurate reflection of the account and its management. So, they were satisfied they'd followed their internal processes fairly and because of this, they didn't think they needed to do anything more. Mr C remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and didn't uphold it. They thought RBS acted fairly when refusing additional lending, as they were satisfied Mr C didn't meet the affordability requirements. And they thought RBS had provided him with adequate support by offering the two FHP's and breathing space following this to give him time to seek debt advice and resolve his legal dispute with his builder. They also explained RBS had an obligation to report the way Mr C managed his account to Mr C's credit file and so, they didn't think RBS had done anything wrong. So, they didn't think RBS needed to do anything more.

Mr C didn't agree and provided detailed comments as to why. Our investigator considered these comments and explained their initial view remained unchanged. Specifically, our investigator explained the scope of their investigation and that any events after RBS' final response hadn't been considered as we didn't have jurisdiction to do so. Mr C remained unhappy, so 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 not 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.

First, I want to recognise the impact this complaint has had on Mr C. I recognise the financial situation Mr C found himself in resulted from a dispute between himself and the builder he employed to complete the property build. And I appreciate Mr C was unable to foresee or control these issues and I recognise he's taken legal action against the builder regarding this. I also appreciate the length of time legal issues such as this can take to resolve and that again, Mr C is unable to control these timescales. So, I don't dispute Mr C's testimony or the fact that he finds himself in this situation through no fault of his own. And because of this, I can understand why Mr C feels RBS should provide him with some leniency regarding his finances, and the repayment of his outstanding debts, considering this and his loyalty as a continued customer.

But for me to say RBS should amend Mr C's credit file or do something more to assist Mr C's financial situation than they have already, I first need to be satisfied RBS have done something wrong. So, I'd need to see evidence that they failed to provide Mr C with options that were available to him in line with RBS' own business processes. Or, if I think they did provide Mr C with all reasonable options within their internal processes, that they acted unfairly when doing so. And in this situation, I don't think that's the case.

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. I recognise Mr C's financial situation, and his dialogue with RBS, continued past RBS' final response to his complaint sent in February 2022. Our service is only able to consider events that have been complained about to a business where a business has had a chance to respond. So, as this complaint was set up based on RBS' final response sent in February 2022, I've only considered RBS actions up to this point. Any actions taken, or service provided, after this point would need to be raised and considered separately. And they haven't impacted the decision I've reached.

I also want to make it clear to Mr C that our service is unable to comment upon, or direct RBS to change, any business processes they've put in place. This is because their business processes are created as part of RBS' own commercial decisions and these decisions fall under the remit of the industry regulator, the Financial Conduct Authority (FCA) to look into further.

But, while I can't comment on a business process, I can consider whether RBS have acted fairly within these processes.

I can see that RBS agreed to provide Mr C with two separate FHP's running from June to November 2021, after they were made aware of the financial difficulty he was experiencing. I've listened to both of the calls Mr C held with RBS, where these FHP's were agreed. And I think RBS made it reasonably clear to Mr C on both calls that while the FHP's were in place, arrears would continue to accrue on his account. And, that at the end of each FHP, there would need to be a conversation to discuss how these arrears would be repaid.

In the call between Mr C and RBS in September, where the second FHP was agreed, RBS made it explicitly clear that Mr C would need to repay the arrears but this could be paid over a maximum term of 18 months to help with affordability. There was no mention of being able to extend the loan term to cover the arrears. And RBS have confirmed this isn't an option they would provide a customer who was six months in arrears as Mr C was at the end of the second FHP. So, I don't think I can say RBS have acted unfairly when not providing this option to Mr C as a way of clearing the arrears.

Also in these calls, I think RBS make Mr C reasonably aware that the FHP would be reported to his credit file. In the first call, held in June 2021, Mr C sought clarification on what this meant, and RBS re-emphasised that a repayment plan would be reported to his credit file. Mr C continued to agree to the FHP on these terms and so, I don't think RBS acted unfairly when reporting to Mr C's credit file during this time.

Following the expiration of the second FHP, RBS confirmed another FHP couldn't be put in place as forbearance plans can only be offered for a maximum of six months. And Mr C had been in plans for this length of time, with arrears accruing. RBS have provided me with a copy of their forbearance internal guidance and this supports the information Mr C was provided. I've listened to the call where this was discussed, and I'm satisfied the information RBS provided was accurate. And I'm satisfied RBS acted fairly here as they offered to place a 30-day suspension on Mr C's account to allow him time to seek independent debt management advice and to see if he could progress his dispute against his builder to a conclusion. I don't think RBS needed to offer this course of action and I think it shows RBS acting positively and sympathetically to Mr C's situation.

Unfortunately, Mr C says the debt advice he received suggested he should return to RBS to agree a new repayment plan. While I don't doubt this is the advice Mr C received, I don't think this means RBS acted unfairly due to this. Nor do I think it means RBS should've done something differently. The debt management company Mr C spoke to wouldn't have access to RBS' internal policies and business processes and so, wouldn't have known whether RBS had already exhausted all the options available to Mr C.

But I can see RBS and Mr C engaged in further conversations about repayment of the arrears, and his outstanding debt, in February 2022. And I've seen Mr C provided RBS with his income and expenditure, as well as a proposal for further additional lending to allow him to purchase a caravan which would allow him to reduce his living costs overall.

RBS have confirmed at this point, Mr C had two options available to him, but both were dependent on his affordability. Mr C was either able to enter into a refinance arrangement (RFA) where RBS would place his loan and arrears together and work out a new term and monthly repayment. But Mr C would need to show he was able to meet this repayment for six months before a new loan was officially entered into. Or, Mr C would be able to repay the arrears through a repayment arrangement, on top of his usual monthly loan repayment agreed in 2020.

RBS have confirmed that for both options to be applicable, Mr C needed to show he was able to afford the repayments either option would equate to. And they've explained from Mr C's income and expenditure, he was unable to afford the original repayment, let alone a repayment for more. And I've heard in calls between Mr C and RBS that Mr C confirms he was unable to afford the monthly repayment at that time. So, I'm satisfied Mr C failed to meet the affordability criteria at the time these options were discussed in February 2022 and so, I don't think RBS acted unfairly when refusing to offer either option.

I also think it follows that, as Mr C was unable to afford repayments to his existing debt, RBS were fair to refuse his proposal of taking additional lending. While I don't dispute Mr C's belief that this additional lending would place him in a stronger financial situation to repay his debts, I wouldn't expect a business such as RBS to place a customer in further debt when they were already unable to sustainably repay the debt they had outstanding.

So, for all of reasons listed above, I think RBS have acted fairly and reasonably towards Mr C in an attempt to help his financial situation. And I think their decision to refuse an RFA was a fair one at the time they made this initial decision in February 2022. Because of this, I don't think they need to do anything more.

I understand this isn't the outcome Mr C was hoping for. And I recognise Mr C has concerns about the actions RBS have taken since RBS issued their final response. Specifically, I'm aware RBS have since agreed to an RFA due to an improvement in Mr C's financial situation. I appreciate why this may lead Mr C to question RBS' initial refusal in February. But as I explained earlier in my decision, any events that have taken place after RBS' final response haven't impacted the decision I've reached. And even so, when considering a business's decision to provide additional lending, or consolidate existing lending into a plan such as an RFA, I must consider the information available to RBS at that time. And based on this, I think RBS have acted reasonably.

I also appreciate Mr C's belief his loyalty as a customer should've impacted the actions RBS have taken. But I wouldn't expect RBS to alter a decision based on affordability due to the length of time a customer has used their services as any lending, or refinance, decisions should be focused on the customer's individual circumstances at that time. And this can differ vastly over extended periods of time.

My final decision

For the reasons outlined above, I don't uphold Mr C and Mrs C's complaint about The Royal Bank of Scotland Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 3 January 2023.

Josh Haskey
Ombudsman