

## **The complaint**

Mr and Mrs R are unhappy with the service they received from The Royal Bank of Scotland Plc ("RBS") in relation to a loan application.

## **What happened**

In August 2022 Mr and Mrs R applied for a loan with RBS online. Paperwork was sent out for them to sign, which was returned a few days later. After not hearing anything Mr R called to chase an update, but wasn't able to speak to the loan team. RBS says it sent a letter in early September 2022 asking to see ID and payslips, but Mr and Mrs R say they didn't receive that. The couple had put down a deposit for a motorhome, and were at risk of losing it – so borrowed from a family member, while continuing to chase for an update by phone.

After not getting anywhere by phone, Mr and Mrs R went into branch and were told ID and payslips were required before the loan could be approved. They supplied copies of both to the branch staff that day, which were forwarded onto the loans team. RBS says it sent a text asking them to get in touch, but both Mr and Mrs R say they never received one. They continued to chase the bank by phone for the next month, but to no avail. During one call they were told the loan had been declined because it was for a static caravan – but that wasn't the case, and they'd not told RBS the specific purpose of the loan. After being promised call-backs that didn't happen Mr and Mrs R raised a complaint.

RBS sent its final response in October 2022 and apologised for the service. It offered £200 compensation plus costs for not returning calls, transferring Mr R to different departments when he phoned, providing incorrect information during those conversations and not communicating the loan application had been declined. The letter reiterated the application had been declined due to an invalid purpose, and advised Mr and Mrs R to appeal the decision.

Mr and Mrs R submitted an appeal via their branch, and continued to chase RBS for the next few weeks. On the last call before referring the matter to our service Mr and Mrs R were told the loan offer had expired. They asked us to review the complaint, initially wanting the loan to be approved so they could pay back the family member – but alternative finance was eventually secured elsewhere. So instead Mr and Mrs R asked for an increase to the compensation offered, and an explanation as to how the bank had the wrong information recorded on its system about the application.

An investigator here reviewed everything and thought the loan hadn't been declined, but rather RBS hadn't received certified proof of ID and income before the offer expired. In her view the branch had made an error by not certifying the copies, and RBS should have done more to contact Mr and Mrs R to obtain what was needed. She also thought the appeal had been a waste of time, as the application hadn't been declined. The investigator couldn't offer Mr and Mrs R any further explanation around why they'd been told on several occasions that the application had been declined due to the purpose – as the RBS didn't know why its agents had said that. For the upset and inconvenience caused by the mistakes, the investigator recommended RBS paid an additional £150 compensation.

Mr and Mrs R didn't accept the investigator's opinion, as they believed far more compensation was needed to put right the impact caused. They asked for an ombudsman to review things and sent in detailed submissions explaining the significant worry and embarrassment caused by RBS's failings during the previous few months.

The case was passed to me, and I thought a higher award was warranted. I sent my provisional findings to both parties, explaining that I considered £1,000 would fairly address the impact caused to both Mr and Mrs R. I've detailed below the considerations I set out in my findings when reaching that outcome:

- I wasn't persuaded RBS sent a letter in early September 2022 or a text about the application. That was because RBS had no corresponding system evidence or audit trail to corroborate either being sent. No copy of the letter had been provided, nor was there any reference to it on the system. An agent had recorded 'text sent' on the loan notes, but RBS hadn't shown where the text had been sent or what it said. I asked RBS to talk me through the process for sending texts, but it didn't. I pointed out that the loan processing notes referenced a text being sent to the 'joint applicant', but Mrs R didn't have a mobile number recorded on RBS's system. So, in the circumstances, I wasn't prepared to take it on trust that a text had been sent correctly to either Mr or Mrs R, based on an agent writing they'd done it in the notes.
- Mr and Mrs R were understandably worried about who the text had been sent to, and what it said (whether it contained financial information for them, for instance). They only found out when I sent my provisional findings that I didn't think it was likely sent to anyone else.
- It appeared the branch didn't certify the copies of payslips given – but given Mr and Mrs R bank with RBS, the exact figures on those payslips could have been matched up with payments into the account. Therefore, I didn't consider further ID or certification ought to have been needed to approve this loan. The purpose (for a motorhome) wasn't excluded under the lending criteria either – so I considered it should have been approved and paid within a couple of weeks.
- RBS didn't have any records of the contact made to chase the application by the couple during the two and half month period in question. It did refer to a couple of calls in its final response letter, but Mr and Mrs R had maintained detailed records of what happened – so I was persuaded by their account. Particularly in the absence of anything to the contrary from RBS.
- It seemed as though between 12 and 15 calls were made to the bank during the period in question. Each one would've been very frustrating, as Mr and Mrs R weren't able to get an update on the status of the application, and were at other times told incorrect information (like the reason for the decline). There were also at least two branch visits, and several letters and emails sent – including an appeal letter (sent twice), which we know was a waste of time, as the application hadn't been declined.
- The incorrect reason for the decline worried Mr and Mrs R, as they had never told RBS the borrowing was for a static caravan (they only told the bank the money was for 'personal spending'). That caused them to speculate what kind of surveillance the bank had undertaken to reach that conclusion, as it wasn't the actual reason but close enough to leave them suspicious. RBS hadn't been able to explain this either, which left Mr and Mrs R with lingering doubts. I concluded that RBS's records for the whole application were so limited it didn't really know what had happened, so I thought the errors simply resulted from incompetence rather than anything untoward.

- RBS's mistakes meant Mr and Mrs R had to put in place last minute funding, so as to not lose a £2,000 deposit for their new motorhome. That came from a number of sources – including a family member, but also borrowing from a credit union against savings. That has tied them up for a considerable amount of time and meant Mr and Mrs R have had to scale back plans to celebrate a big birthday for Mrs R. They'll likely not pay as much interest on the borrowing as they would have done (though they will pay some), so I kept that in mind. But I wasn't persuaded that the small potential financial gain should lower my considerations on compensation for the distress or inconvenience that much – as borrowing the money was so they could pay back manageably and leave them with funds should they need them. I thought they would've happily traded any financial gain to forgo this experience. Due to the short-term nature of the borrowing arrangements, Mr and Mrs R have also had to pay a lot of it back much quicker than they wanted to – which put some additional financial strain on them during the last year.
- I also considered they'd been left without contingency funds readily available in case anything went wrong – and Mr and Mrs R have spoken about their anxiety around that (why they decided to borrow the money in the first place). Which would now cause ongoing worry.
- The whole journey was hugely inconvenient and time consuming for both customers – with it mostly being Mr R's time wasted, but I thought Mrs R was also inconvenienced with branch visits and correspondence. So I considered the £200 offered by RBS was well short, in terms of compensation for two individuals, even when thinking solely about the time wasted and effort for them both. There were likely some financial costs incurred, including petrol to the branch – though £21.60 had been paid already towards call costs. I explained I planned to wrap up whatever additional financial losses there had been into my overall thinking on compensation.
- What persuaded me most that the compensation needed to be increased significantly was the emotional impact this all had on both Mr and Mrs R. I included the details of that for the bank with my findings, so RBS could see the impact explained in their own words. But in summary, I was satisfied there was a lot of worry and stress over the period, caused by the uncertainty and lack of updates, combined with their looming deadline. There was also a lot of embarrassment and shame, for Mr R in particular, surrounding having to borrow the money – and it caused tension between the joint borrowers. I think the errors had a serious impact on them both – and therefore, bearing in mind our published guidance, I said I planned to award £1,000 between the two complainants.
- Mr and Mrs R had spoken about their keenness for an apology from RBS – and I could understand that. I said I thought the bank had apologised already via the final response letter and in the submissions it made to our service – but, as I've explained above, I didn't think RBS had quite appreciated the extent of the impact caused in this case. I thought RBS could best demonstrate it was sorry by paying Mr and Mrs R fair compensation. I also explained I wasn't keen on forcing a party to apologise, as that (to my mind) would be an empty sentiment.
- I noted Mr and Mrs R's comments that any compensation should be enough to deter RBS from treating customers similarly in future. I said in my provisional findings that, while I can't make a punitive award, I would like to reassure Mr and Mrs R that the regulator's rules required the bank to learn from and make improvements based on ombudsmen's decisions.

Mr and Mrs R replied to say they were prepared to accept the resolution I'd proffered, in a bid to put the ordeal behind them. But they raised the following points:

- They noted in RBS's response it had said they should have been put through to the loans team when calling. However the staff they spoke to on multiple occasions told them they couldn't put customers through to the loans team directly. So either there's a major staff training issue or RBS didn't know its own process.
- Mr and Mrs R clarified that their funds were tied up for three years on a reducing balance, due to the loan through the credit union. They planned to pay back the relative within a year.
- I'd made reference to Mr R being the one that primarily dealt with the bank, but he didn't want us to underestimate the impact this whole process had on his wife. Mr R said that, among other things, she also lost sleep through worry and ultimately is now going to have a reduced celebration because their funds have been compromised.

RBS didn't accept my provisional findings – and, in summary, replied to say:

- It had provided notes stating both the letter and text had been sent, though no further evidence existed to confirm that was the case. RBS was of the opinion that, on the balance of probabilities, it was more likely they were sent given the effort that was made to note it – and had they not been sent then surely nothing would have been noted.
- It was RBS's understanding that Mr and Mrs R had given copies to the branch rather than actual payslips – which is why the bank wouldn't certify them.
- RBS did fully appreciate the distress and inconvenience this situation had caused, and it was very sorry to Mr and Mrs R for this. The bank also apologised that it had been unable to provide much clarity on some of the issues that had occurred. However, RBS believed that the compensation amount I had indicated in my provisional findings was excessive on this occasion.

### **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, bearing in mind the responses to my provisional findings, I'm not persuaded to depart from the outcome I reached. I've therefore decided £1,000 compensation is warranted in the circumstances, for the reasons I'd previously given.

I've reviewed the system notes again, and can't find any reference to a letter being sent on 2 September 2022 (though I can see an agent accessed the loan processing notes that day). I've still not seen a copy of it either, so RBS hasn't persuaded me it exists or was sent. I appreciate that an agent took the time to record a text had been sent on the system, but from the notes it seems that text was sent to Mrs R – and RBS don't hold a mobile number for her. So, given the doubt over where it was sent, and the lack of information about the process/system in place for sending texts, I'm not persuaded that Mr and Mrs R were told more information was needed to support their application.

Addressing the comments made by RBS about the payslips provided to the branch not being originals – a lot of people don't receive paper payslips nowadays, they get digital copies

sent. So I'm confused by how Mr and Mrs R would have provided 'actual' payslips, or what would have been acceptable. I also don't know who would have been in a position to certify them. The response to my provisional findings was the first time RBS mentioned this, and it hasn't provided anything to corroborate that being the case either. I'm not persuaded 'certified' payslips were needed here, as RBS knew their income and could see the copies matched what was paid into their accounts. In any event, I've decided RBS needed to do more to get the additional information it needed to complete Mr and Mrs R's application.

Looking at our published guidance for making these types of awards, I put the impact caused to both Mr and Mrs R individually in the 'up to £750 range'. That range covers scenarios where *"the impact of a mistake has caused considerable distress, upset and worry – and significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months, but it could also be fair to award in this range if a mistake has a serious short-term impact"*. Having considered that guidance, and the example case studies which illustrate that award range, I find those to be commensurate with the impact caused here (to two individuals). It was significant, and RBS's mistakes will continue to affect them for some time.

So, considering all the factors outlined in my provisional findings, I'm awarding Mr and Mrs R £1,000 for the distress and inconvenience caused. Given RBS has already paid £200 (plus £21.60 for calls) – I'm directing the bank to pay a further £800 in settlement of this complaint.

### **My final decision**

My final decision is I uphold Mr and Mrs R's complaint about The Royal Bank of Scotland Plc, and direct the bank to pay a further £800 compensation (bringing the total award to £1,000).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 23 June 2023.

Ryan Miles  
**Ombudsman**