

The complaint

Mr S complains that National Westminster Bank Plc's handling of his request to redeem part of his mortgage caused him distress and inconvenience. And he says the money NatWest has offered him to resolve his complaint is not sufficient to do so.

What happened

Mr and Mrs S had a secured business loan with NatWest. In August 2022 the balance outstanding on the loan was approximately £74,000.

In August 2022, they visited their local branch to make a payment of £60,000 from their business bank account – also with NatWest – to their loan account, to reduce the amount owed. Mr and Mrs S had previously relied on their local branch for this type of transaction. And, as Mr and Mrs S didn't communicate in English, they also relied on the staff at the local branch who communicated with them in Punjabi. However, they understood from branch staff in August 2022 that payments of that nature were no longer facilitated in branch. So, as instructed by the branch, they made a call to NatWest and they were told to write a letter to the business loan department, and the letter could be sent by internal mail from the branch.

Mr S's representative – his daughter – wrote to NatWest's business banking department as instructed on 12 August 2022. But in a subsequent phone call was told the letter had never been received. She wrote again, this time to NatWest's customer service centre, but still the money wasn't transferred. Mr S's representative made numerous calls to NatWest between August 2022 and November 2022. She says she received contradictory and obstructive responses during those calls. Much of the difficulty she faced was satisfying NatWest's customer verification process despite the fact that Mr S was with her when she made most of the calls. Mr and Mrs S's transfer was credited to their loan account on 18 November 2022. By that time, they'd made the decision to fully redeem the loan, and made a payment of £70,610.42 on 18 November 2022.

Sadly, throughout the time they were trying to make the transfer, Mrs S was extremely ill and has passed away since this complaint was referred to us. Mr S's representative has told us NatWest's customer service added to their distress during what was already a very difficult time for the family. I'd like to add here that I was sad to read of Mrs S's passing and I'm sorry for the pain that has undoubtedly caused to her family. I'll continue throughout my decision to refer to this being Mr S's complaint despite the fact that they both initially brought it and were both parties to the mortgage. Please be assured, I mean no disrespect by doing so.

Mr S complained to NatWest about the service he received. NatWest responded in an email (undated on our file) acknowledging that the service Mr S had received was not of the standard it expected. It confirmed the service Mr S wanted had been withdrawn from their local branch. It said its branch staff incorrectly told them to make the transfer online, but Mr and Mrs S couldn't do that because of the maximum allowable transfer of £5,000 online. The branch also said to use telephone banking, but communication issues meant that was unsuccessful. However, NatWest's final response letter concluded Mr S had been given correct information and offered two potential solutions. They could go back to branch and make a 'CHAPS' payment – the £21 fee would be waived – or Mr and Mrs S could change

the payment limits on their online banking facility via its website. It offered Mr S £150 in respect of the distress and inconvenience caused.

Dissatisfied with NatWest's response, Mr S asked us to consider his complaint. Our investigator thought NatWest's offer wasn't reasonable in the circumstances. He asked NatWest to increase its offer for the distress and inconvenience caused, and he said NatWest should compensate them for the additional interest they were charged on the loan because they were unable to reduce the balance when they wanted to. NatWest agreed and calculated that if the transfer payment of £60,000 was made on 31 August 2022, Mr and Mrs S would have been charged £812.47 less interest up to the point the loan was actually redeemed. NatWest also said it would increase its offer to Mr and Mrs S in respect of the distress and inconvenience it caused to £500. So, it offered Mr and Mrs S £1,312.47 in total compensation. Taking all the circumstances into account, our investigator thought NatWest's offer was fair so wrote to both parties saying so.

Mr S didn't agree. Their representative told us her parents felt humiliated, vulnerable, distraught, depressed, traumatised, devastated and not valued by NatWest's service. NatWest shouldn't have cut the facilities available in branch simply to save money. And Mr S wants NatWest to increase its offer.

As Mr and Mrs S didn't agree with our investigator, their complaint has been passed to me for a final 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.

To decide Mr S's complaint, I've thought about whether NatWest's offer is fair, given the likely distress and inconvenience caused to Mr S. And I've thought about whether NatWest's offer is fair in respect of the cost to Mr S of not being able to make the payment to their loan account when they wanted to.

The cost to Mr and Mrs S of not making their partial redemption when they wanted to

The first letter I've seen from Mr S's representative about them wishing to partially redeem their loan was dated 12 August 2022. I understand that letter was written following Mr S's visit to the local branch around the same time. From the wording of his letter, I think he wanted to make the payment as soon as possible. And from what he's said, I think Mr S wanted to make the payment when he went into the branch.

It's not entirely clear what went on in the branch. And NatWest has said that the facility Mr S had used previously was not available to him. But I think the branch would have known that he wanted to reduce the balance of the loan significantly and that would have a financial impact on Mr and Mrs S. So, I think the branch should have found a way of facilitating that payment. Even if that meant helping him do so over the phone or online. I appreciate that the branch may have failed in any attempt it made to do so, but I think that would only have been because of the failure of another part of NatWest. I think it's unlikely the branch wouldn't have been able to establish Mr and S's identity. So, I think Mr S should have been able to reduce the balance of the business loan account by £60,000 on 12 August 2022.

NatWest has said it calculated Mr S's loss – the interest it charged them on £60,000 – from 31 August 2022 to the date they fully repaid the loan. I suspect that's because the interest on the loan isn't calculated daily – rather, on the account balance at the end of each month. If that's correct, I think that's fair. However, if reworking the loan account assuming the

payment was made on 12 August 2022, rather than 31 August 2022, makes a difference to Mr S's loss, NatWest should adjust its offer to compensate them for their loss accordingly. So, NatWest needs to check that point.

In addition, Mr S has been deprived of the money he was effectively overcharged each month because his account balance was higher than it should have been. So, NatWest should compensate him for that loss by paying him 8% simple interest of the amounts he was overcharged each month, from the date each monthly payment was made to the date the loan was repaid. I understand Mr S had the benefit of the £60,000 for the duration he was unable to make the payment for the loan. But I also understand that it sat in their business bank account all that time awaiting transfer. So, I think it wasn't used for any other purpose, nor was it practically usable, given Mr S's intentions for it. So, I don't think that impacts the redress I've outlined above.

The distress and inconvenience caused by NatWest to Mr and Mrs S

Mr and Mrs S's representative told us her parents felt humiliated, vulnerable, distraught, depressed, traumatised, devastated and not valued by NatWest's service. Given their circumstances at the time, I can understand how Mr and Mrs S experienced all those feelings, particularly because of Mrs S's serious health concerns. But I think it's important to accept that many of those feelings would have been present in their lives at that time without any involvement from NatWest. That said, it's clear that it must have been incredibly challenging for Mr S to deal with NatWest while Mrs S was so ill. And it must have been challenging for Mrs S knowing Mr S was experiencing the difficulties he was having with NatWest.

I've listened to recordings of the calls in which Mr S's representative tried to arrange the transfer. I know there were at least eight such calls over a period of four months. And I've heard that at least one of the calls was made from the hospital where her mother was being cared for. I've heard how frustrating she found those calls and it's clear that she was put to a lot of inconvenience.

However, we're unable to award compensation to a representative for the distress and inconvenience caused to Mr and Mrs S's family. Our rules say we can only award compensation to an eligible complainant. And that is the customer or customers of the recipient business on the product that is the subject of the complaint. But that doesn't diminish the distress caused to Mr S. I've heard from the call recordings that Mr S was present for many of them, and I know he attended the branch. So, I think he was put to significant inconvenience as well as the distress caused to him.

Having thought about all the above, I think the £500 offered by NatWest is reasonable in respect of the distress and inconvenience caused specifically to Mr and Mrs S. But that isn't to say I don't acknowledge the level of inconvenience caused to the representative at a time that must also have been incredibly challenging for her. I just can't award compensation for that.

Summary

Overall, I think the basis of the offer made by NatWest in respect of Mr and Mrs S's complaint is fair, though I think it should make some minor amendments to the offer. Our investigator has explained that to NatWest and it has agreed. Our investigator has also informed Mr S about my proposed amendments to NatWest's offer to give him the opportunity to comment on that before my decision is finalised. He's responded indicating that he understands the offer and wants it confirmed in my final decision.

As NatWest has increased its offer since Mr S asked us to consider this matter, my decision is that I uphold his complaint.

Putting things right

If Mr S accepts my decision about his complaint, NatWest should:

- Rework Mr S's business loan account assuming he made a £60,000 payment to it on 12 August 2022 and refund the difference in interest between the amount that should have been charged and the amount Mr S actually paid until the loan was redeemed.
- Pay Mr S 8% simple interest* on the amounts he was 'overcharged' each month – assuming the £60,000 was paid to their loan account on 12 August 2022 – from the date each monthly payment was made to the date the loan was repaid.
- Pay Mr S £500 in respect of the distress and inconvenience caused.

*Interest is at the rate of 8% a year simple. If NatWest considers that it's required by HM Revenue & Customs to take off income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a certificate showing this if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

NatWest has calculated the redress based on the above formula and has confirmed the interest refund equates to £993.62 and the 8% interest equates to £19.60.

My final decision

My final decision is I uphold Mr S's complaint about National Westminster Bank Plc. It should compensate him as I've explained in the 'putting things right' section of my decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 April 2023.

Gavin Cook
Ombudsman