

The complaint

Mr W complains National Westminster Bank Plc didn't treat him fairly when he asked to make a change to a personal loan.

What happened

I issued a provisional decision. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr W had a personal loan ("loan 1") with NatWest with an outstanding balance of about £8,000. He found he needed more money, so he took out a consolidation loan ("loan 2"). This repaid and closed loan 1, and left Mr W with about £7,500 cash in his current account. I'm satisfied the application process for loan 2 made it clear this would happen.

Within a matter of days, Mr W changed his mind. He called NatWest to say he didn't need the extra cash, so he wanted to repay and close loan 2 (by giving back the extra cash) and reopen loan 1 (to repay the original borrowing). This wasn't an option as loan 1 couldn't be re-opened and cancelling loan 2 would require it to be repaid in full.

So, Mr W could either repay loan 2 in full or leave it running. If he decided to leave it running, he could, however, have used the extra cash he didn't need to make a partial settlement. This could have reduced the term, or the monthly repayments. Either option would've likely reduced the interest Mr W would be charged across the term of loan 2.

NatWest didn't explain Mr W's options. It initially gave him the impression it would take back the extra cash and re-open loan 1. Later, it indicated something else would happen. And finally, when it issued its final response letter, NatWest said Mr W's only option was to repay loan 2 in full. I don't find NatWest treated Mr W fairly and reasonably.

I've thought about what would have happened had NatWest been clear with Mr W about his options. I find it's most likely he would have used the extra cash to make a partial settlement on loan 2, and he would have chosen to reduce the monthly repayments. I say this for the following reasons:

- Mr W was clear he didn't need the extra cash, and his statements show the money remained available to him (and therefore available to make a partial settlement) while his discussions with NatWest were ongoing, and afterwards;
- Mr W did make a partial settlement early into the loan, for a lower amount. I see no compelling reason to think he wouldn't have paid a larger amount had he understood the implications to interest charges and repayment

- amounts; and
- Mr W has been clear that avoiding paying interest unnecessarily was important to him. He's also said his current financial circumstances mean he wants to keep his monthly repayments to a minimum.

Putting things right

NatWest should withdraw the extra cash from Mr W's current account and pay it to loan 2 as if it had been used to make a partial settlement on 15 January 2023 - a date within the 30-day cooling off period of loan 2, which also provides for a reasonable time for NatWest to have explained to Mr W his options and for him make his decision.

With the above accomplished, NatWest should rework loan 2 based on the lower balance and reduced monthly repayments. NatWest should refund to Mr W any credit leftover. NatWest should also confirm to Mr W, in writing, the new loan balance, term and repayment requirements.

Mr W has explained the distress and inconvenience this matter caused him, such as the numerous phone calls, the conflicting information, and his uncertainty over what would happen with his loan(s). And he says this was compounded as it was predominantly over the Christmas period. Compensation is appropriate and I find £200 fairly reflects the impact. This figure includes the compensation of £100 that has already been paid."

Mr W accepted my provisional decision. NatWest wasn't persuaded Mr W would have made a partial settlement to the value of the extra cash, had things been made clear to him. It also suggested Mr W may not still have the extra cash available and pointed out Mr W hasn't made a contractual repayment to date. In other words, it wasn't sure my intended redress would work.

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.

Our Investigator asked Mr W if he still had the extra cash available to him. He said he didn't. I have, therefore, reconsidered matters. Having done so, I remain of the opinion NatWest let Mr W down for the reasons I set out in my provisional and I think they need to put this right. I have amended my intended redress in light of Mr W's circumstances. Our investigator has discussed this with both NatWest and Mr W, both of which have said they agree to the new redress, which I've outlined below.

- NatWest should use the lump sum Mr W paid at the start of the loan (approximately £5,000) to cover the monthly contractual payments to date. This should leave the account in a position where it is up to date and his credit file in order;
- The money left over from the above should be used to reduce the outstanding loan balance. Any interest arrears should also be refunded to the loan to reduce the outstanding loan balance. Mr W has the option to either reduce his monthly payments or reduce the term of the loan. Mr W has said he would like to reduce the monthly payments;
- Once the above action has been taken and the account is up to date, NatWest

should let Mr W know what his repayments are and when they are due; and

- NatWest should pay compensation of £200 (which includes the compensation of £100 already paid).

My final decision

My final decision is that I uphold this complaint. National Westminster Bank Plc should put things right as I've explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 November 2023.

Marie Camenzuli
Ombudsman