

The complaint

Mr N complains that National Westminster Bank Plc ("NW") charged him too many payments on his personal loan.

What happened

Mr N took out a personal loan on 6 November 2019. The loan was for £9950 with a term of 36 months.

Mr N is unhappy that NW took 38 payments instead of 36. This has resulted in Mr N repaying 701.26 more than he thinks he should've repaid.

Mr N complained to NW. NW didn't uphold the complaint. It said that Mr N had taken a payment break from April 2020 to July 2020 and that although payments weren't taken during this time, interest continued to accrue. NW said at the end of the payment break it had given Mr N two options, either to clear the arrears on the loan by paying a lump sum or to add the interest to the loan and extend the term of the loan. NW said Mr N had opted to extend the term and that was why he'd had to pay additional instalments.

Mr N wasn't happy with the response and brought his complaint to this service. He says NW didn't explain to him that interest would continue to accrue during the payment break and that this would cause the term to be extended.

Our investigator didn't uphold the complaint. He said NW's records showed that Mr N had agreed to the terms and conditions of the payment break and that Mr N had been given the choice of repaying the arrears or extending the loan term at the end of the payment break.

Mr N didn't agree. He said he'd never received a letter explaining that he could pay a lump sum to avoid the interest being added to the loan following the payment break. He said that he didn't agree to paying interest that he hadn't been made aware of.

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.

I can see that Mr N took a three month payment break from April to June 2020. This isn't disputed by Mr N. But he says he wasn't made aware that interest would accrue during the payment break or that if he didn't pay the arrears at the end of the payment break the loan term would be extended.

I've therefore looked at the available information to determine whether NW told Mr N that interest would accrue during the payment break.

NW has provided contact notes which show that Mr N requested the payment break on 9 April 2020. The request was made by phone. NW hasn't been able to provide the call recording due to passage of time, but the contact notes record that Mr N agreed to the terms and conditions of the payment break. The notes also record that Mr N was signposted to

independent debt advice if he wanted to take this before agreeing to the payment break.

NW has provided a template of a letter which was sent to customers confirming the payment break. The letter explains that interest would continue to be applied to the loan during the payment break.

Based on what I've seen, I'm satisfied that NW did enough to make Mr N aware that interest would continue to be applied to the loan during the payment break.

Mr N has also said that he wasn't made aware of his options following the payment break. He's said he wasn't made aware that he could've paid a lump sum to avoid interest being added to the loan and the loan term being extended.

I've therefore looked at the available information to see whether NW told Mr N what his choices were at the end of the payment break.

NW has provided a copy of an online document which was sent to Mr N on 25 June 2020. This explained that Mr N had two options, either to make up the payments he'd missed totalling £1083.84 as a lump sum before the next loan payment was due, or to extend the loan agreement and keep the monthly payment the same. The letter explained that if Mr N chose option two and extended the loan, the final repayment date would be 11 April 2023. The letter also explained that Mr N would pay additional interest as a result of the payment break and loan extension. I can see that Mr N chose to extend the loan and he signed this agreement electronically on 30 July 2020.

Based on what I've seen, I'm satisfied that Mr N agreed to extend the loan agreement and pay the additional interest which had accrued as a result of the payment break.

Taking everything into consideration, I'm unable to say that NW has made an error or that Mr N has been overcharged on his personal loan. I'm unable to uphold the complaint.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 1 May 2024.

Emma Davy
Ombudsman