

The complaint

Mr N complains that National Westminster Bank Plc (“NWB”) charged him a part payment interest charge when he repaid part of a personal loan.

What happened

On 5 July 2024 Mr N took out a personal loan of £15,000 with NWB. Within the 14-day cooling off period Mr N realised that he only needed to borrow £5000 so he repaid £10,000. Prior to making the part payment Mr N contacted NWB by telephone and went into his branch and says he was advised that he wouldn’t incur any charges.

Mr N later discovered that he’d been charged £330.52 part payment interest charges on the loan account. He complained to NWB.

NWB issued a final response on 31 July 2024. It said the part payment interest charge had been correctly applied in accordance with the terms and conditions. It apologised that Mr N was provided with incorrect information when he contacted the bank and said it had provided feedback to the relevant departments.

Mr N wasn’t happy with the response and brought his complaint to this service.

Our investigator didn’t uphold the complaint. He said he was satisfied that Mr N had been made aware that there would be a charge for part payment during the call on 19 July 2024 and if he had wanted to cancel the loan completely, he should’ve repaid the £15,000 when he was in branch.

Mr N didn’t agree so I’ve been asked to review the complaint.

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’ve reviewed the terms and conditions of the loan agreement. Paragraph 6 deals with overpaying and settling the loan early. Paragraph 6.1 states that the loan can be repaid early in full or in part at any time by making a payment to the loan account. Paragraph 6.4 sets out the interest charges that will apply where the loan is repaid early or where an overpayment is made.

It’s not in dispute that Mr N made a part payment of £10,000. This is classed as an early part repayment of the loan and interest is chargeable in accordance with the terms and conditions I’ve referred to above. Based on what I’ve seen, I’m unable to say that NWB made an error when it applied the part payment interest charge to Mr N’s loan account.

I’ve gone on to consider whether NWB provided incorrect advice to Mr N when he contacted them by telephone and when he went into branch.

I’ve listened to the calls that Mr N had with the bank prior to the £10,000 part payment. In the

first call (dated 18 July 2024) Mr N told the call handler that he no longer wanted £15,000 and only needed £5000, and that he wanted to return £10,000 within the cooling off period so that he wouldn't incur any interest charges. The call handler confirmed to Mr N that she had completed the transfer for him. Mr N then asked what his next payment would be. The call handler was trying to find this information out when the call got cut off.

In the second call (dated 19 July 2024) Mr N said the £10,000 hadn't been transferred to the loan account as promised the day before. Mr N also said the call the day before had been cut off and he hadn't been able to call back until today. The call handler advised Mr N that he could repay £10,000 if he wanted to. Mr N said he might repay the loan in full, but he would think about it.

In the call dated 19 July 2024 Mr N also said he wanted to repay the loan in full and re-apply for a smaller loan in 28 days' time. Due to the global IT outage that day, the call handler was unable to cancel the loan. Mr N couldn't cancel the loan himself either. The call handler advised Mr N to visit his branch to cancel the loan. Mr N said he couldn't visit the branch that day due to work commitments.

The account statements show that Mr N subsequently transferred £10,000 to the loan via the mobile app. I understand from what Mr N has told this service that he was assisted to do this in branch.

Having listened to the calls, I'm not persuaded that Mr N was advised that he wouldn't incur any interest charges. The only circumstances in which Mr N wouldn't incur interest charges would be if he'd cancelled the loan within the cooling off period. However, this isn't what Mr N did. Instead, he made a part payment after the cooling off period had ended. Even if Mr N had made his part payment during the cooling off period, the interest would still have been chargeable, because the 14 day cooling off period is only valid to cancel a loan completely. It doesn't apply to paying back part of the loan.

Taking everything into consideration, I'm unable to say that NWB has made an error or treated Mr N unfairly or unreasonably. I won't be asking them to do anything further.

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 X to accept or reject my decision before 2 January 2025.

Emma Davy
Ombudsman