

The complaint

A limited company, which I'll refer to as P, complains that National Westminster Bank Plc refused to accept payment to clear the arrears on one of its loans and has unfairly demanded repayment in full.

P is represented by its director, Mr I.

What happened

P has an overdraft, a small business loan ("SBL") and a bounce back loan ("BBL") with NatWest.

P began to miss payments on its SBL in late 2022. In 2023, both loans went into arrears. Payments were also returned unpaid on P's current account, because the amounts would have resulted in P exceeding its overdraft limit. P incurred unpaid item fees as a result.

In 26 October 2023, NatWest wrote to P, formally demanding immediate repayment of all borrowing in full. The bank said that if satisfactory repayment proposals were not received within ten days, P's accounts would be transferred to its debt recovery function. NatWest also sent a letter saying they were withdrawing P's overdraft and would close its current account within 60 days if its borrowing wasn't cleared.

In November 2023, Mr I complained about what he considered to be the unfair treatment of P. He said he was the sole owner and director of P and had been seriously ill and unable to work between March and August 2023. He thought NatWest had acted unfairly and failed to take this situation into account.

Also in November 2023, P took out its third BBL repayment holiday, which capitalised the arrears, returning the BBL to order.

NatWest responded to Mr I's complaint in January 2024. The bank agreed to refund £72 of unpaid item fees, which had taken P's current account over its overdraft limit. They said the SBL was still one payment in arrears (from July 2023), but if these arrears were cleared within 14 days, they would consider removing the formal demand notice.

Later in January 2024, NatWest wrote to Mr I again to confirm that no payment had been received to clear the SBL arrears by the deadline set. The bank then removed P's overdraft and proceeded with their recovery processes.

Mr I continued to correspond with the bank and raise new issues, but also asked the Financial Ombudsman to look into the matter.

One of our investigators looked into P's complaint, but didn't think that NatWest had done anything wrong. Mr I disagreed and asked for an ombudsman's decision. He said, in summary:

- He thought the Financial Ombudsman and NatWest should have adopted a more pragmatic approach.
- NatWest had refused to take the missing payment, despite him calling them to pay. They clearly did not have an accurate call-tracing service if they couldn't find any calls.
- NatWest were aware that his medical condition made him clinically vulnerable.
- NatWest had been supportive during the pandemic but had abandoned him now. The bank were dealing with a director who was a human being, who should have been supported to get back on his feet.
- If NatWest removed the defaults, he would clear the arrears and resume making regular payments.

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, I have reached the same conclusion as our investigator, for essentially the same reasons. I know this will be a disappointment to Mr I, so I'll explain why.

In essence, Mr I's argument is that NatWest should have used their discretion to show more forbearance. So I've looked at NatWest's actions to consider whether they were reasonable.

I can see that P's accounts were showing signs of financial difficulty from November 2022, when a payment was missed on the SBL. But the bank doesn't seem to have taken action until September 2023, when NatWest transferred P's accounts to their Specialised Business Management department. This seems to me an appropriate action in order to give P more specialised assistance. I can see NatWest sent text messages and emails on 23 September, urging P to clear the arrears or make contact. They then followed up with a letter on 27 September.

I can't see any evidence that Mr I responded to these communications until 17 October 2023, when he spoke with the bank. I have considered the bank's detailed notes of this call and I think they dealt with Mr I appropriately. Mr I claimed in a subsequent call that he had notified the bank about his illness on this October call, but there is no indication of this. The bank's notes are fairly detailed and mention P experiencing a drop in enquiries and the impact of cost of living increases. I see no reason why the bank would not have recorded Mr I's poor health if he had mentioned it, particularly as the format required the bank representative explicitly to answer a question as to whether the caller was vulnerable. The bank also did make notes about his illness in November, so I think they would have done so in October had he mentioned it. My conclusion is that it's more likely than not that Mr I omitted to mention his illness on that call.

The call concluded with Mr I deciding his next action would be to apply online for a repayment holiday for the BBL, but he then does not appear to have taken any action in this regard. This led to the bank instigating the next stage of its recovery process and issuing formal demands. I think this was in line with usual banking practice and I don't think it was unreasonable.

The formal demands contained a ten day deadline to take action but despite this, NatWest didn't take immediate action and allowed P some extra time. Mr I then got back in touch on 8 November and mentioned he had had Covid in October and disclosed that he had been very ill and not working between March and August. However, he also said his health was now good and he was back at work, so I think it was reasonable for the bank to conclude he didn't need any special treatment.

The bank then put P's accounts on hold while they considered Mr I's complaint and in the meantime, P applied for a repayment holiday for the BBL. At this point, part of Mr I's complaint was that he disputed whether P was in arrears on the SBL. This was in my view partly because P was missing payments and then making them up later, causing Mr I to become confused. I'm satisfied that the bank was correct about the arrears, however, and I believe Mr I now accepts that there was indeed a missed payment.

I'm sorry to hear that NatWest's response to P's complaint made Mr I feel uncomfortable and upset, but I have not found any error by the bank in sending this letter. I consider it was clearly written and reasonable in its approach of giving P 14 days to clear the arrears. Neither can I see anything inappropriate in the language used. I accept that it set a fairly tight deadline, but the arrears had been outstanding at that point for over six months and the bank had written to P many times saying they needed to be cleared.

I think it's also relevant that the amount of the arrears at that point, around £236, was relatively small compared with P's overall debts and I think it was reasonable for the bank to conclude that if P couldn't clear this amount, its financial difficulties were such that it should appropriate be passed to the bank's recoveries function.

On Mr I's specific claim that he tried to clear the arrears on the SBL but was prevented by NatWest from doing so, I have found no evidence that he attempted this before the deadline set. The bank have conducted a search on the numbers and dates provided by Mr I, but have not been able to locate anything relevant. Although I accept that banks' records are not infallible, I see no reason to disbelieve that they have searched and found nothing.

NatWest wanted Mr I to pay in some funds and clear the arrears. In the absence of any evidence, I'm not persuaded it's likely that the bank would have refused Mr I's attempts to pay. And I also think it's possible that he could have made a payment online if he wanted to, without needing a phone call, as he seems to have done so in the past to clear arrears. Overall, I consider that the bank had told Mr I very clearly what he needed to do and the consequences of not doing it. So I think the onus was on Mr I to persevere until he made the payment, even if the process to get through was slow and frustrating.

Mr I may also have tried to pay the arrears after the deadline the bank set, but at that point the loans had become repayable in full, so the bank were not obliged to accept his payment. I'm also aware that Mr I has made various counter-proposals to the bank since they transferred him to recoveries and is unhappy about their responses. I am not going to comment on these matters here as they happened after the complaint I am considering and the bank has not had a chance to comment on them.

Having looked carefully at the bank's detailed notes, I've concluded that Mr I first mentioned his 2023 illness in 9 November 2023. He is correct, in my view, that this is something that the bank should take into account. The Lending Standards Board publishes standards for lending to businesses, to which NatWest is a signatory. These include standards for considering whether customers are vulnerable, whether they are a sole trader or the director of a limited company. This is clearly a relevant factor for me to consider, but having done so, I don't think NatWest breached those standards. NatWest's representative noted what Mr I had said (having asked for Mr I's permission to do so first) and that his health was at that point good and he required no particular adjustments. That said, I would of course expect the bank to continue to give consideration to Mr I's health in their handling of P's debts in the future.

It seems to me that P's financial difficulties preceded Mr I's illness and were therefore not exclusively caused by it. However, it is clear that Mr I has clearly been through a prolonged difficult period, both in getting his business through the pandemic and then dealing with his own illness. I know he feels that NatWest should have been more pragmatic and given him and his business more time to recover. I don't dispute that they could have done this. But in order to treat all customers fairly, banks need to follow standard forbearance procedures including setting and adhering to deadlines. I can't see that NatWest have departed from best practice here or made any errors. So I don't think I can fairly direct them to act differently.

My final decision

For the reasons set out above, my final decision is that National Westminster Bank Plc does not need to do anything further to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 2 January 2025.

Louise Bardell
Ombudsman