

The complaint

C is a company which has brought this complaint through its director, whom I'll refer to as Mr G. C complains that National Westminster Bank Plc called in two loan accounts and transferred them to its recoveries department. It also closed C's current account.

What happened

C had four accounts with NatWest: a current account, a business loan, a bounce-back loan, and a reserve account. The bounce back loan had originally been for £20,000, payable over five years, but In August 2022 C had successfully applied for a top up of a further £30,000. The loan had also been extended to ten years, ending in 2030.

From around November 2021 some loan payments were missed or were paid late. C was able to clear any arrears, however. On occasions the bank made manual payments to bring the loans up to date.

In January 2024 the payment to the business loan account was returned unpaid. In March 2024 the bounce back loan payment was missed.

Between January and April 2024 NatWest contacted C on several occasions about the missing payments. When it did not hear from C with any proposals to clear the arrears, the bank issued formal demands for payment of the loans – nearly £32,500 was due on the bounce back loan and over £25,500 on the business loan. The accounts were transferred to recoveries. The current account was then closed and the relatively small credit balance was transferred to reduce the outstanding debt.

Mr G complained on behalf of C. He said that, at the time the loan accounts were transferred, there was sufficient in the reserve account to cover any arrears. The bank should therefore have transferred funds to clear the arrears, as it had done in the past. He said too that he had tried to contact NatWest on numerous occasions to try to resolve matters, but that the bank had not been receptive.

NatWest said that it had acted fairly. C had not made loan repayments on time, and its terms allowed it to require repayment of all sums owed if there were arrears on any of C's accounts. Whilst it had made manual payments to cover loan arrears in the past, it was under no obligation to do so, and changes to an automated system had in any event made it more difficult.

Mr G referred C's complaint to this service, where one of our investigators considered what had happened. She didn't recommend that the complaint be upheld. Mr G did not accept the investigator's assessment and asked that an ombudsman review the case.

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, however, I've reached the same overall conclusions as the investigator did, and for broadly the same reasons.

Where a bank customer has a debt which is due and payable, the bank can generally transfer funds from an account which is in credit to meet that debt. In the absence of any specific instruction (such as a direct debit), it is not, however, under any general obligation to do so. It is clear that NatWest had exercised that right in the past, but I do not agree with Mr G's argument that it was under any duty to do so when payments were missed in January and March 2024. And, as the investigator noted, the balances on the current account and the reserve account fluctuated, so it is far from clear in any case whether funds were available to transfer so as to clear the amounts outstanding.

It is a general principle that it is for a borrower to pay a lender, and the loan terms reflected that. It was for C to ensure that the bank was paid in line with those terms, not for the bank to take steps to take payment.

The fact that NatWest has arranged manual payments in the past did not, in my view, mean that it should continue to do so. Indeed, the fact that it had taken active steps to ensure it received payment, if anything, lends support to its decision to seek repayment of the loans.

I note that Mr G says he did try to contact the bank to discuss the position. But that was only after the bank had demanded repayment of the loans. He does not appear to have done so in order to try to bring the loans up to date before April 2024.

Finally, I note that Mr G has said that C is struggling financially. If that is so, I would simply remind the bank of its obligations to customers in difficulty and encourage both parties to work together to find a suitable resolution.

My final decision

For these reasons, my final decision is that I do not uphold C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 25 August 2025.

Mike Ingram

Ombudsman