

The complaint

Mr R complains Nationwide Building Society (NBS) won't reduce the interest rate on his personal loan

What happened

In August 2023 Mr R entered into a Fixed Sum loan agreement for £24,569.17 with NBS. The loan was to be repaid over 60 months at £637.97 a month. With an annual percentage rate (APR) of 20.8% meaning the total repayable amount would be £38,278.20. Mr R said he'd accepted the agreement and could afford to make the repayments. But with the cost of living increases he wanted to renegotiate the interest rate to a lower percentage so that his monthly repayments would be reduced. He said he was looking to borrow an amount which would go into his bank account and from which he would make his monthly repayments. But the online application asked him to provide the purpose of the loan such as holidays or consolidation. He said NBS would only consider him taking on additional credit rather than the reduction of the interest rate on his existing loan agreement. He complained to NBS.

NBS said they hadn't done anything wrong as the APR for Mr R's personal loan was given when he applied for the loan, which he accepted. They said they didn't have a policy or process to allow for the renegotiation of the APR once the terms of the loan had been accepted.

Mr R wasn't happy with NBS' response and referred his complaint to us.

Our investigator said NBS wasn't obligated to offer refinancing on existing loans with a more favourable interest rate. And that they'd considered ways to help Mr R but none of the options were possible or acceptable. As Mr R wasn't struggling to make his repayments NBS had fulfilled their obligations.

Mr R didn't agree and asked for an ombudsman to decide.

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 understand Mr R's frustration as he is trying to manage his finances and is looking to reduce his monthly repayments. But having done so I'm not upholding this complaint. I'll explain why.

A loan is where one party (the lender) gives another party money, which has to be repaid at a later date. The lender usually charges the borrower for letting them borrow the money – most commonly, by adding interest. So, the borrower pays back more than they were originally given. The lender usually reflects the level of risk (of not getting their money back – at least on time) in the interest charged or other conditions of the loan.

In August 2023 Mr R applied for a loan with NBS. They accepted his application and set out

their terms in a Fixed Sum loan agreement regulated under the Consumer Credit Act 1974. The terms included how much Mr R was borrowing, the length of time the loan was for the total amount repayable and the APR. I can see Section 3 explains about the APR and under 3b (iii) says "*the interest rate doesn't change.*" And under Section 4 "*interest rate*", which goes on to say the interest rate is fixed.

I find the terms were clear and Mr R doesn't dispute accepting them, and thereby agreeing to be bound by them. But with financial changes such as increased cost of living expenses Mr R felt he should be allowed to renegotiate the interest rate. But Mr R had entered into a binding agreement with NBS and there isn't any requirement for them to renegotiate the terms.

In circumstances where a consumer is in arrears or struggling to meet repayments the Consumer Credit Sourcebook (CONC) provides guidance to lenders about treating consumers with forbearance and due consideration. But this isn't the case here. Mr R has said he can make his repayments but is looking to lower the agreed interest rate to reduce his financial burden.

I can see NBS has worked with Mr R to see if there are any options such as looking to borrow an amount to settle the Fixed Sum loan agreement, consolidating a couple of loans, or reducing the length of the loan period from 60 months to 50 months. But it's for the lender to determine whether the lending is affordable and the level of risk they're prepared to take. And Mr R said he doesn't want to increase his financial burden only wanting the interest rate reduced.

I understand my decision is likely to come as a disappointment for Mr R but I'm satisfied NBS has acted fairly and reasonably in declining his request. This is because the interest rate applied to his loan was in line with the credit agreement he agreed to and which clearly shows the interest rate will not change.

my final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 March 2025.

Anne Scarr
Ombudsman