

The complaint

Mr S complains about the actions of National Westminster Bank Public Limited Company ('NatWest').

What happened

Mr S told us:

- In July 2019, his limited company, which I'll call 'V', took out a loan with NatWest and he was added as a guarantor.
- In 2022, the company failed, and he started to make repayments as the guarantor. He raised concerns with NatWest about the affordability of the repayments, but the bank didn't help. He also made an offer to NatWest which was declined.
- When the loan was taken out, the business plan was reviewed and affordability for the business was assessed. However, there wasn't any affordability check undertaken for him as a guarantor which isn't in line with the FCA principles.
- He's in financial difficulty and seeking assistance through a debt management company to repay the debt but feels like he is being forced into bankruptcy because of this debt. He also hasn't received any updates on the loan or arrears letters to explain the current position.

NatWest told us:

- It provided V with a loan of £50,000 which was supported by a personal guarantee from Mr S as V's director for £50,000. The first repayment had started seven months after the funds had been released, and a capital repayment holiday had been granted for six months in April 2020. In April 2023, it received notification of the winding up of the business.
- It contacted Mr S about repayment of the loan in May 2023 and commenced recovery proceedings. Mr S had disputed he was personally liable for the debt and complained that it hadn't undertaken an affordability assessment. It had explained to Mr S that the affordability assessment for the loan was based on V's information.
- It had undertaken an assessment of V's ability to repay the loan it had borrowed, and its relationship manager had also undertaken a Personal Asset, Liability, Income and Expenditure assessment with Mr S and was satisfied with the information provided at the time.
- The terms of the personal guarantee document were clear within the loan agreement which was signed by Mr S. The document recommended that Mr S seek legal advice before accepting the agreement, but he had signed the waiver of legal advice. So, it didn't think it had done anything wrong.

Our investigator didn't recommend the complaint be upheld. He said that V's loan was a fixed-term commercial loan and therefore wasn't a regulated mortgage or lending product, so the FCA rules for regulated lending weren't applicable. This meant that NatWest didn't have to undertake an affordability assessment for Mr S as a personal guarantor. He also said this wasn't an advised sale by the bank, and therefore NatWest only had to provide information for Mr S to make an informed choice about whether to proceed or not. The investigator was satisfied that the personal guarantee terms and waiver of legal advice documents were clear, so it was fair for Mr S to be bound by the terms of the personal guarantee.

Mr S didn't agree. He said that our service wasn't limited to whether or not a product is regulated, and we should consider the fairness of the agreement. He said that once taken over by a guarantor, the loan should become a personal loan, and loans for this amount were required to be regulated, and individuals shouldn't be put under financial pressure from these products and this was a loophole that needed to be addressed. So, he asked for an ombudsman to review his complaint, and the case has been passed to me 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.

Having done so, I'm sorry to disappoint Mr S but there's not much more that I can add to what our investigator has already said.

Mr S told us that he believes it's unreasonable that the bank didn't check the personal guarantee was affordable before it accepted this as security, and this is a breach of the FCA principles. However, there is no requirement for NatWest to undertake this check because it wasn't providing lending to Mr S. The lending was being provided to V, and therefore any affordability checks would have been on behalf of the business. By signing a personal guarantee, Mr S was simply saying that he agreed to repay any outstanding balance owed by V by whatever means was necessary. There wasn't any requirement for the bank to check how this would be repaid.

I acknowledge Mr S's comments that a personal loan is required to be regulated, and that once a personal guarantee is called upon it should in essence become a personal loan, but that isn't how this loan agreement works. The lending here was to facilitate borrowing for V as a business and therefore cannot be treated as a personal loan. And although now Mr S is being asked to make the repayments, the terms of that agreement have not changed. It remains a business loan, albeit being repaid by Mr S personally at this time, but as I mentioned above there is nothing that says this must be repaid in the form of a personal loan. Mr S could have sought repayment of the loan through the sale of assets or payments from another business if he'd had one. I also note Mr S's comments about this being a loophole that lenders can exploit, but that would be something for the Financial Conduct Authority as the regulator to consider, rather than this service.

Mr S says that he was reassured by NatWest that V would have no difficulty repaying the loan, and that they'd previously supplied loans for this business type. However, NatWest has told us that Mr S approached the bank directly requesting finance for V's business venture. I can see that the relationship manager said he was satisfied that based on V's business plan that the loan would be affordable, so can I understand that Mr S would have been reassured by this. However, given that the documents provided by Mr S show that he'd already signed the franchise agreement before speaking to NatWest about the loan, I'm not persuaded that if the bank has said it was concerned that it may call upon the personal guarantee that this would have influenced Mr S's decision to proceed.

I recognise that Mr S says NatWest should have done more to support him with regards to the personal guarantee. But I don't agree. It would have been inappropriate for the bank to provide Mr S with any assistance regarding the personal guarantee, because the security he was providing was for the bank's benefit if the situation occurred that V was unable to repay the outstanding debt. The reason that the personal guarantee documents say that any advice needs to be provided independently is so that any third-party being used has no links to the bank, and there can be no undue influence on the advice provided to the guarantor giving the personal guarantee. Therefore, NatWest was never going to be able in this situation to give Mr S advice on whether he should or shouldn't sign on the guarantee documents or if/who he should seek advice from.

I've reviewed the documents provided by both parties, and I'm satisfied that the personal guarantee agreement was clear that Mr S would be providing a limited guarantee for £50,000. I'm also satisfied that the waiver of legal advice was clear and prominent that the recommendation was that Mr S seek independent legal advice, and that he was signing to say he wanted to proceed with the agreement without doing so and fully understood the implications of this. I also haven't seen any evidence that NatWest misrepresented the personal guarantee requirement, so I'm satisfied the bank met its obligations here.

I understand that Mr S is likely to be unhappy with my decision, as I understand that he has found himself in a difficult financial position and feels he is being unfairly pressured. But from what I've seen, I don't think NatWest has treated him unfairly in his capacity as a guarantor. So, I won't be asking it to do anything more. Mr S has told us that he is struggling to make the repayments requested under the personal guarantee, so I would suggest that he continue to engage with NatWest to discuss a way forward as we would expect the bank to look to support customers who are in financial difficulty.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 November 2025.

Jenny Lomax
Ombudsman