

The complaint

Miss D complains that National Westminster Bank PLC (NatWest) lent to her irresponsibly as she could not afford the repayments on the loans.

What happened

Miss D took three loans with NatWest and the table summarises the lending.

Loan	Date	Loan amount	Loan term	Monthly repayment	Total to repay (rounded)
1	17 October 2019	£19,700	72 months	£392	£28,225
2	18 June 2021	£26,050	72 months	£590	£42,187
3	6 November 2021	£29,150	96 months	£563	£54,248

Loans 2 and 3 refinanced the previous loans. They provided additional cash for Miss D. Loan 3 remains outstanding and Miss D is finding it difficult to repay.

After Miss D had referred her complaint to the Financial Ombudsman Service one of our investigators upheld the complaint in part – in relation to Loan 1. NatWest agreed to resolve the complaint and the redress set out in the investigator's complaint was carried out.

Miss D got back in touch with the Financial Ombudsman to say she was disappointed that the redress sums had been paid into the existing loan account to reduce her liability and the compensatory part of the redress figure had been paid into an account she held with NatWest which she was not expecting to be credited.

That part of the complaint has been passed to me to determine whether what NatWest has done was as it should have been. I have not looked at the merits as this part has been resolved.

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.

After both parties had agreed the resolution our investigator wrote to Miss D on 31 March 2025 to say that she had asked NatWest to settle the complaint directly in the way all parties had agreed. This is what had been set out in the investigator's view (I have substituted Miss D's surname for the anonymised version of Miss D):

NatWest had to add up the total amount of money Miss D received as a result of having been given the loan. The repayments Miss D made should be deducted from this amount.

a) If this results in Miss D having paid more than they received, any overpayments should be refunded along with 8% simple interest (calculated from the date the overpayments were made until the date of settlement). †

b) If any capital balance remains outstanding, then NatWest should arrange an affordable and suitable payment plan with Miss D

† HM Revenue & Customs requires NatWest to take off tax from this interest. NatWest must give Miss D certificate showing how much tax it's taken off if they ask for one.

The complaint was closed. On 1 April 2025 Miss D received this from NatWest confirming the refunded sums:

I have arranged to credit your account(s) with a total of £4,875.04 in full and final settlement of your complaint. This includes a refund of £3,923.58, plus compensatory interest of £951.46 (net) – see below.

You will see this payment as two separate credits into your account(s). I've arranged to credit your loan account ending '069' with refund of £3923.58. This will reduce the arrears balance. The agreed compensatory interest amount will credit your Reward account ending '524'. Please see the breakdown below:

<i>Total amount interest calculated on (credit balance)</i>	<i>£3,923.58</i>
<i>Gross Interest Amount (8%)</i>	<i>£1,189.33</i>
<i>Tax deducted (20%)</i>	<i>£237.87</i>
<i>Net amount paid</i>	<i>£951.46</i>

Please note this interest payment has been paid net of basic rate Income Tax of 20%, in line with HMRC regulations.

Miss D was not content that the some of the refund had gone to credit the account for Loan 3. NatWest was asked about this and responded that using the redress refunds to offset arrears on the existing loan was its usual approach to applying redress and considered it was ours too. NatWest pointed out that our investigator had not specified to which account(s) the redress was to be paid.

I can see that all the loans are linked as each was refinanced into the next with fresh cash funds being released to Miss D at Loans 2 and 3. I can see that Miss D is in arrears on the repayments. I consider that the investigator's redress wording could have been more precise.

If the complaint had come to me before it had been agreed, I would have expected that there would be an offset against the refund due on 'Loan 1' against any of the rest of the loan debt still due to be repaid. It's not fair and reasonable for NatWest to pay to Miss D monies when Miss D still owes NatWest. I agree with NatWest that this is the usual approach we take. In fact, the compensatory part has been paid to her directly and not used as an offset sum.

As to payment of the compensatory part into one of the accounts in Miss D's name as opposed to another account in Miss D's name, our investigator's redress paragraph being silent on specific account numbers means that I do not consider NatWest has done anything wrong on that part either.

I note that the complaint has been resolved and the redress payments made and so I so make no further direction.

My final decision

My final decision is that I endorse the outcome of the complaint to which both parties agreed and if not already done so National Westminster Bank Plc should put things right in the way agreed. As I understand it has already done that then there's nothing left for NatWest to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 21 August 2025.

Rachael Williams

Ombudsman