

The complaint

Mr and Mrs H complain that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY won't provide them with a further advance on their mortgage or other personal lending after it wrote off a debt owed by a company associated with Mr H although Mr H. later repaid it personally.

What happened

Mr H was the owner and director of a limited company that had an account with NatWest. Mr and Mrs H have a mortgage with NatWest. The limited company was dissolved in February 2022 leaving a small outstanding balance due to the bank of £386.14. As the company was dissolved and the debt irrecoverable from the company, NatWest wrote it off. But Mr H was concerned that the debt might affect his personal credit and paid off the debt in April 2022.

In 2023 Mr H enquired about the possibility of further borrowing with the bank but was told that this would not be possible because of the effect of his company having a debt written off with the bank. Mr H complained and the bank replied that any financial associations he has held previously can impact his ability to borrow and that his applications were affected by there being an outstanding balance on the company's business account when it was closed in 2022. Our investigator's view is that NatWest are entitled to set their own lending criteria in line with their risk appetite and that NatWest had considered this application fairly within the terms of its lending criteria so she didn't recommend that this complaint should be upheld. Mr and Mrs H disagreed and asked for a review.

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.

This is a substantial file and although I've read and considered the whole file, I'll keep my comments to what I consider is relevant. If I don't comment on any specific point its not because I haven't considered it but because I don't think I need comment on it in order to reach the right outcome.

Mr and Mrs H have been customers with NatWest for many years. Mr H's limited company was dissolved owing a debt to NatWest. Although the debt was small if the company failed to pay the debt before it was dissolved, it meant that NatWest had no means of recovery - there is no company after all to recover against - and the debt was written off. That indicates poor management of the account by the company leaving an irrecoverable debt owing to NatWest when it was dissolved. Although Mr H personally repaid the debt, the record of the written-off debt has affected Mr H's risk profile within the bank and, as a result, has affected Mr and Mrs H's ability to get additional joint borrowing on the mortgage if they required it. I have to consider whether it's fair that this company debt should affect Mr and Mrs H's personal ability to borrow from NatWest given that the debt was repaid.

It's a matter for the bank to decide whether to provide a loan for a customer or not. We would expect a bank to conduct a fair risk assessment within the terms of its lending criteria.

The bank said it did so and demonstrated that to us by reference to its lending criteria which meant that it wouldn't provide additional lending to Mr and Mrs H. Mr H says that unfair for various reasons including that he personally repaid the company debt.

My view is that it would be reasonable for NatWest to consider Mr H's previous history with the bank including the management of the account of a company of which he was the owner and director in its risk assessment. The limited liability status of the company would give Mr H protection from any liability for the company's debts and the bank couldn't pursue him personally. But the bank is surely entitled to consider whether Mr H, in his management of the company's account with the bank, exposed the bank to the risk of a loss and take that into consideration in deciding whether it should lend money in the future to Mr H.

The subsequent payment of the debt by Mr H personally doesn't alter the fact that the bank was exposed to a loss when the company was dissolved and the debt written off. It's the poor management of the account that led to the write-off that's relevant here and Mr H's later repayment of the balance doesn't remedy that. So, I don't consider that it was unfair of the bank to refuse to lend to Mr H. Unfortunately, as a potential joint borrower this also affects Mrs H, but the bank is entitled to come to a decision based on its risk profile of each applicant on a joint application. So, for the above reasons I can't fairly uphold this complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 9 July 2025.

Gerard McManus
Ombudsman