

The complaint

Mr P complains that National Westminster Bank PLC (NatWest) is treating him unfairly by demanding that he repays a loan for which he gave a personal guarantee.

What happened

Mr P is the director of a company which I'll refer to as T. T is currently in liquidation.

NatWest told us that:

- On 31 January 2020, Mr P signed a personal guarantee (the Guarantee) in support of T's liabilities up to a limit of £50,000.
- Later, on 3 April 2020, T borrowed £60,000 from the bank. The loan was secured by the Guarantee.
- Regular contractual payments towards the loan were received until September 2022 when T defaulted on the loan.
- In reliance on the Guarantee, on 25 January 2023, the bank wrote to Mr P demanding repayment of over £37,000 representing the outstanding debt owed by T.

But Mr P didn't think NatWest had treated him fairly. He's told us, in summary that:

- When he signed the Guarantee, the bank did not explain its implications to him.
- He's dyslexic, which impacted his ability to understand and absorb the information given in the Guarantee.
- The bank failed to carry out any personal credit checks which would have shown he was in no financial position to give the Guarantee.
- Even though the Guarantee was also given by a fellow director of T, the bank appears to be looking to him alone to repay T's debts.

As Mr P's complaint remained unresolved, he referred it to this service to look into.

Our investigator did so. But he didn't think Mr P's complaint should be upheld because he didn't think the bank had done anything wrong.

In summary he said:

- He was satisfied NatWest explained the nature and implications of the Guarantee which was clearly written. Furthermore, the bank recommended Mr P should seek independent legal advice before signing the document. And NatWest records show that Mr P elected to proceed without taking such advice.

- He sympathised with Mr P submission on the impact of his dyslexia. Especially, the difficulty understanding the complex information contained in the Guarantee. Nonetheless he'd seen no evidence that this was told to the bank at the time the Guarantee was signed. And he couldn't reasonably expect the bank to have made adjustments to accommodate his condition.
- He didn't think Mr P was being singled out for unfair treatment on the basis of his belief the bank was pursuing him alone for the payment of the loan. He noted Section 6.1 of the Guarantee stated that all guarantors are jointly and severally liable under the Guarantee – meaning the bank is entitled to pursue any guarantor individually, for T's debt.

Mr P did not agree with the Investigator's conclusions and wrote with further submissions. By and large, however, those submissions restated the arguments he had originally made to this service. Including, the impact of his dyslexia on his ability to understand the Guarantee and furthermore, that NatWest failed properly to inform him of the implications of signing the Guarantee.

In addition, Mr P also said:

- the bank had a duty to ensure he fully understood the nature and consequences of the document he was signing.
- NatWest never carried out a proper assessment of his personal financial situation. Had they done so, they would have had cause for concern since he was in no position financially or mentally, to assume responsibility for T's liability.

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.

At the heart of this case is whether NatWest can fairly rely on the Guarantee to recover the debt T owes to the bank. When considering that question, I've borne in mind a number of things which I now turn to.

As already noted, the Guarantee was given in support of the bank's lending to T – Mr P's limited company. This type of lending is unregulated - meaning there are no specific regulations with which NatWest needed to comply. Nonetheless, in the circumstances, I'd still expect NatWest to act fairly and in line with good industry practice.

In this connection, I have taken into consideration the Lending Standards Board's Standards of Lending Practice (the Standards) as indicative of good industry practice. And the Standards contain provisions relating to the taking of personal guarantees by business lenders. So, it's appropriate therefore for me to consider them.

In summary, the Standards provide that lenders should inform their customers if any security (such as a guarantee) is required to support the borrowing and if so why. In addition, they are required to provide clear information to make the guarantor aware of their obligations under the guarantee. And they should also recommend that independent legal advice be sought.

With that in mind, I've read the Guarantee in full. I believe the following terms and conditions are relevant to Mr P's complaint.

On page 1 of the Guarantee under the subheading:

"2. Why is the guarantee being provided ", it goes on to say:

"2.1. The Guarantor is providing the guarantee to the Bank in consideration for the Bank making borrowings available to the Customer" - (in other words T.)

Next the Guarantee sets out the guarantor's obligations:

"3 What are the guarantor's obligations under this guarantee

3.1 . The Guarantor guarantees payment of, and must pay to the bank on demand

- all the Guaranteed Liabilities up to the Guaranteed Limit*
- and Interest on any amount demanded, from the date the Bank makes demand until payment in full"*

And dealing with the parties against whom a guarantee may be enforced, the Guarantee says:

"6. More than one Guarantor

6.1 As the Guarantor is more than one person

- all of them are jointly and severally liable under this guarantee. Joint and several liability means the Bank has the right to ask all or just one of the Guarantors to repay the full amount of any money owed by the Guarantors and not just a share."*

The final page of the Guarantee has the following heading in bold type:

"THIS IS AN IMPORTANT DOCUMENT. YOU SHOULD NOT SIGN UNLESS YOU ARE SURE YOU WISH TO PROCEED WITHOUT LEGAL ADVICE"

2. Waiver of legal advice

2.1 I have decided that I wish to guarantee the Guaranteed Liabilities to the Bank

2.2 I perform an active role in running the Customers business and have a full understanding of its financial affairs, including its liabilities to the Bank

2.3 I have been given a copy of the guarantee and have had adequate time to read and consider it

2.4. I understand that I can request details of the Customers liabilities to the Bank. I have received all the information that I require

2 5 I have not been put under any pressure to provide the guarantee.

2.6 I understand that:

- *I may have to pay the Bank if the Bank is not paid by the Customer.*
 - *the guarantee will be supported by any security I have granted, or may in the future grant, to the Bank, and I may lose any asset(s) charged if the Customer does not repay its liabilities to the Bank*
 - *the guarantee covers all of the Guaranteed Liabilities (up to the Guarantee Limit).*
 - *In particular. I understand that. if the Customer guarantees any other persons obligations I may be required to pay the Customers liabilities under that guarantee.*
- 2.7. *The Bank has recommended that I should take legal advice. However, I do not wish to take any legal advice."*

Mr P does not dispute he gave the Guarantee. And in any case the document clearly has his signature.

Given the above terms and conditions of the Guarantee and having regard to the provisions in the Standards, I don't consider that NatWest have failed to follow them.

More to the point, I'm satisfied that the Guarantee made it clear that Mr P was signing a guarantee which meant he'd be liable for T's debts in the event it defaulted. And in light of clause 6, I don't think the bank is precluded from pursuing Mr P alone for the repayment of T's debts if it chose to do so.

But I note Mr P's submission as to why he should not be bound by the Guarantee. And I've thought about it carefully. To begin with, I thank Mr P for being open and candid about his dyslexia and its impact on his ability to absorb the information stated in the Guarantee. I've also thought about his submission the bank had a duty to ensure he fully understood the nature and consequences of the document he was signing.

I agree with the Investigator, however, that at the time he gave the Guarantee, there is no evidence Mr P made the bank aware of his dyslexia and the impact on his ability to understand the Information contained in the Guarantee - especially his obligations under it. In not having that knowledge, it would be difficult to blame the bank for what Mr P has described as the impact of his dyslexia on his ability to understand its terms. Besides as noted above, Mr P signed the Guarantee having acknowledged NatWest's recommended he obtain legal advice. In the circumstances it would have been the role of his legal advisers to explain and ensure Mr P understood the document. And given his dyslexia, it wouldn't have been unreasonable to expect Mr P to elect to obtain such advice.

I also thought about Mr P's submission that NatWest should have made sure he was able to repay T's debt by conducting personal credit checks on him. He doesn't think the bank did so.

NatWest have told us it's part of their lending process that when a personal guarantee is put in place to support the borrowing of a limited company, an individual consumer search is done as part of this process to assess the guarantor's ability to act as a guarantor. They said there is no record or indication that Mr P didn't meet the relevant credit requirements. So, a commercial decision was taken to put the Guarantee in place which Mr P signed as acceptance of its terms.

I note Mr P's testimony, however, is that he struggled to manage his finances when T collapsed. This suggests that the issues Mr P faced regarding his personal finances occurred after he gave the Guarantee and therefore supports the bank's position that there were no concerns at the time it was given.

For completeness, I would, however, add that, I expect a lender to carry out appropriate checks to determine whether the borrower – in this case T, was able to sustain the borrowing for which it submitted the application. But I'm afraid there is no obligation on a provider of unregulated business lending to carry out such checks on a guarantor.

I acknowledge and sympathise with Mr P that he has been called upon to repay T's debts under the Guarantee. In particular I'm sorry to hear the impact these events have had on his mental health. But in the circumstances of his case, I don't think NatWest did anything wrong by requiring him under the terms of the Guarantee to repay T's debts.

My final decision

For the reasons explained above, 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 P to accept or reject my decision before 17 November 2025.

Asher Gordon
Ombudsman