

## **The complaint**

Z, a limited company, complains about problems and delays when it applied for additional borrowing from National Westminster Bank plc.

This complaint has been brought on behalf of Z by its director, who I'll refer to as Mrs Y. Mrs Y asks that NatWest pays further compensation of £12,000 to cover Z's costs and the stress and worry.

## **What happened**

Z started a secured loan application with NatWest in November 2023. The funds were to be used to repay an existing loan with additional funds to pay for repairs to the business premises. The loan didn't complete until September 2024. The additional funds were £5,000 less than Mrs Y had expected.

Mrs Y says due to the delays Z accrued debt and had to borrow money for repairs. She said Z could have been repaying the new mortgage at a lower rate. She says this cost £12,000. Mrs Y says she found the whole matter stressful. She says the business manager dealing with the loan didn't respond to her and made inappropriate comments.

NatWest upheld some parts of Z's complaint. It said its service was below the standard it aims to provide. It said it didn't include interest in the initial discussions about the cost of repaying the old loan, which meant Z had less funds than expected. It said it didn't action Z's complaint promptly. NatWest offered to refund the loan arrangement fee (£4,900) and pay compensation of £500 for the distress and inconvenience caused.

Our investigator said while NatWest had made errors its offer of compensation was fair and reasonable in the circumstances.

Mrs Y didn't agree. She said £500 wasn't enough for the mistreatment, poor service and stress and the cost of staying on a higher interest rate during the delays. Mrs Y said the distress caused to her personally should be taken into account. Mrs Y said this is a small, one-person business and issues affecting Z also affect her.

## **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.

Our rules set out who can bring complaints to us. Z applied for and took out the loan. So Z is the eligible complainant here. That means I can only consider the effect of NatWest's errors on Z. I can't require NatWest to pay compensation to third parties (such as Mrs Y) or for distress caused to third parties.

I understand that this is a small business and that Mrs Y – Z's director – dealt with the loan application. That doesn't change matters. Z is a limited company, which is a separate legal entity. While I'm sorry that Mrs Y found this matter upsetting, that's not something I can look

into or require NatWest to pay compensation for.

We offer an informal dispute resolution service. I don't need to respond to each comment made by the parties, or detail each event. What I need to do is explain my reasons for reaching my decision about what's fair and reasonable in the circumstances. Where the evidence is incomplete or contradictory, I reach my decision on the balance of probabilities – that is, what I think is most likely based on the available evidence.

There's no dispute the loan application process took longer than expected. Based on the comments and evidence from the parties, the time broadly divides as follows.

- Z started the application in early November 2023. NatWest asked for Z's accounts. These were provided in early February 2024, about three months after they were requested.
- Between February and April 2024 NatWest asked for additional or updated information. At the end of April 2024 NatWest said the loan was approved subject to management information showing trading was in line with 2023.
- Mrs Y provided management information in a form acceptable to NatWest in mid-June 2024 (about six weeks after it was requested). The management information showed trading was below levels for 2023. The debt service ratio was below NatWest's minimum level. NatWest approved the loan about a week later, in late June 2024.
- Mrs Y asked if Z could borrow more. She said she wasn't happy with the rates on offer. NatWest says there was a two-week delay in it dealing with Z's request to increase the loan. In August 2024 Mrs Y asked if the loan fee could be added to the loan – which meant NatWest had to consider and approve a higher loan amount. There was a problem with the loan documents issued in early September 2024. The re-mortgage completed in late September 2024.

The loan application process took about 11 months, from application to completion. Some of this time was taken up by the usual process of NatWest asking for information so that it could make a lending decision. Mrs Y says she has considerable equity in her properties as well as savings. Nonetheless, I'd expect NatWest to ask for information to check that Z can afford the loan repayments. Lenders can ask for more information during the application process, if they have further questions or concerns after reviewing information provided by the applicant. Overall, I don't think NatWest's requests for information were unreasonable.

The application didn't meet NatWest's lending criteria. I think it was fair for it to take the necessary time to approve the loan through a different process. I think it was fair for NatWest to review its lending decision when Mrs Y asked to increase the loan amount.

There were problems with the communication between the relationship manager and Mrs Y. Mrs Y found the relationship manager unhelpful and unresponsive and was upset by some of her comments. Mrs Y says she had to chase the relationship manager. There was a change of personnel due to the relationship manager going on leave. There were delays due to NatWest failing to act promptly or duplicating a request for information. NatWest says its service fell short. It's likely the process would have been quicker if it had been managed better by NatWest.

However, I need fairly to take into account that there was about three months between NatWest asking for Z's accounts and these being provided. About six weeks passed between NatWest asking for and receiving Z's management information in the required format. Mrs Y's requests to increase the borrowing added to the time taken at the end of the

process. And, as I said, it's reasonable for a lender to ask for information to make a lending decision and to review this and ask for further information if appropriate.

While it's likely that errors by NatWest caused delays, I don't think this was the only reason for the loan application taking so long. I don't think it's fair to find that NatWest's errors caused delays of more than about two to three months.

When the loan completed, Mrs Y says the additional funds were about £4,500 less than she'd expected.

NatWest says it didn't give Mrs Y clear information about the cost of repaying the previous loan as it didn't include the accrued interest. This didn't cause a direct financial loss to Z – Z already owed the interest to NatWest. NatWest's error was that it didn't ensure Mrs Y was aware of the full cost of repaying the loan during their discussions. Z was caused inconvenience as the available funds were less than expected.

Mrs Y says Z incurred costs of about £12,000 due to the delays. She says it incurred debt, borrowed money for repairs to the property (there had been a water leak), and the monthly repayments for Z's previous loan increased by about £1,000 from October 2023.

The monthly repayments for Z's previous loan didn't increase due to delays with the re-mortgaging. However I think it's possible that Z could have a financial loss if the old loan had a higher interest rate than the new loan, because there was a delay in it benefitting from the lower rate. The loan agreements and the contact notes suggest the new loan did have a lower rate. Both loans had a variable rate expressed as a percentage over the base rate. The difference appears to be about 1%. Interest on the previous loan would have been about £225 per month less at the lower rate.

I'd only find it fair to require NatWest to compensate Z for its debt costs if I thought these debts were incurred as a result of NatWest's errors and not, for instance, normal business borrowing. I don't think it would be fair to require NatWest to pay Z's costs if it had to borrow to pay for urgent repairs in late 2023 or early 2024. NatWest couldn't reasonably have completed the refinancing in that timescale, especially as it didn't receive Z's accounts until February 2024.

It wouldn't be fair to require NatWest to compensate Z as if it was responsible for all of the costs incurred by Z during the application process. For the reasons set out above, I don't think NatWest's errors were the only reason – or even the main reason – that the loan took 11 months to complete.

Z was caused inconvenience by NatWest's errors. There were problems and delays with the application process, some of which were due to errors and poor service by NatWest. The available loan funds (after repaying the previous loan) were less than it expected. Z's complaint wasn't dealt with promptly.

NatWest offered to refund the loan arrangement fee, of about £4,900. It said it could either reduce the loan balance (which would reduce the amount of interest Z pays) or pay the fee to Z's current account (which would mean Z has the available funds it expected). Mrs Y says the fee should have been covered anyway – by which I assume she means added to the loan. But even if it was added to the loan, the fee was still a cost that had to be paid by Z.

I think the compensation offered by NatWest – which benefits Z by £5,400 – is fair and reasonable for the inconvenience caused to Z and any additional costs incurred due to the delays caused by NatWest's errors.

**My final decision**

My decision is that National Westminster Bank plc should refund the loan arrangement fee and pay £500 as it offered to do – unless of course it has already done this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Z to accept or reject my decision before 15 August 2025.

Ruth Stevenson  
**Ombudsman**