

The complaint

Ms C complains that National Westminster Bank Public Limited Company (“NatWest”) misled her about how they would administer her account if she took a temporary payment holiday on her personal loan.

What happened

Ms C fell into arrears on her NatWest loan when she missed a payment in September 2024. Ms C then spoke with NatWest and explained that she was experiencing financial difficulties and that her monthly outgoings exceeded her monthly income.

NatWest agreed to a three-month payment holiday on the account, for October, November, and December 2024. This was provided to give Ms C time to recover her financial position, and while arrears would accrue on the loan because no payments were being made (and would need to be addressed at the end of the payment holiday), no interest would be charged on the account during the duration of that three-month plan.

In January 2025, After the three-month payment holiday ended, Ms C spoke with NatWest again, but her financial position hadn’t improved, and her monthly outgoings continued to be more than her income. NatWest placed a 30-day ‘breathing space’ hold on Ms C’s account, to allow Ms C to engage with a debt charity if she wanted to do so, but once that hold ended NatWest expected Ms C to resume making her contractual monthly loan payments and come to an arrangement to clear the arrears that had accrued on the account and which were incurring interest.

In March 2025, Ms C raised a complaint with NatWest because she was unhappy that they expected her to clear the payments that had been missed on her account while also making her ongoing contractual monthly payments. And in April 2025 Ms C raised a further complaint because she was unhappy that it hadn’t been explained to her that any arrears that accrued on her account would incur interest.

NatWest responded to Ms C’s complaints but didn’t feel that they’d done anything wrong in how they’d administered Ms C’s account or in the information they’d provided to Ms C when she’d arranged the payment holiday. Ms C wasn’t satisfied with NatWest’s responses, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn’t feel that NatWest had acted unfairly as Ms C contended and didn’t uphold the complaint. Ms C remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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 note that Ms C has provided several detailed submissions to this service regarding her complaint. I’d like to thank Ms C for these submissions, and I hope that she

doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if Ms C notes that I haven't addressed a specific point that she's raised, it shouldn't be taken from this that I haven't considered that point. I can confirm that I've read and considered all the submissions provided by both Ms C and NatWest. I can also confirm that if Ms C notes that I haven't responded to a specific point she's raised, I have considered that point, but I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

It should also be noted that this service can only consider points of complaint that have previously been referred by a complainant to the respondent business directly, so that the business has had a formal opportunity to consider and respond to those points of complaint.

I draw attention to this fact because I note that in her submissions to this service, Ms C has asked this service to consider several further points of complaint that she hasn't previously raised with NatWest and which NatWest therefore haven't had a formal opportunity to consider. Accordingly, I can only refer Ms C to NatWest, to raise these further points of complaint with them in the first instance. And I confirm that after NatWest have had a formal opportunity to consider and respond to those points of complaint, Ms C may have the right to refer those points of complaint to this service, should she still wish to do so at that time.

Ms C has also expressed her dissatisfaction with how NatWest have handled her complaint to this service. But this service can only consider complaints about regulated financial matters. And how a business handles a complaint is not itself a regulated financial matter, even when the subject of that complaint is a regulated financial matter. In short, this service cannot consider a complaint about how a business has handled a complaint.

All of which is to explain that the scope of what I can consider here are the points of complaint that Ms C referred to NatWest in March and April 2025, and which NatWest then responded to in their complaint resolution letters dated 13 March and 15 April 2025 respectively. Specifically, this is that Ms C was unhappy that NatWest expected her to clear her account arrears alongside making her contractual monthly loan payments, and that she was unhappy that NatWest charged interest on the arrears that had accrued on her account.

When Ms C took the loan, she agreed to repay the full amount that she owed to NatWest by the end of the loan term. As such, I feel that it stands to reason that if Ms C missed payments on the loan, as she has, then she would be expected to 'make up' those payments before the end of the loan, which she could only do by either clearing the arrears in one lump sum or by repaying the arrears in monthly instalments while also making the contractual monthly loan payments.

Having listened to a recording of the call between Ms C and NatWest, when the three-month payment holiday was agreed, I feel that it was clearly explained to Ms C by NatWest's agent that Ms C would need to clear the arrears present on her account when the payment holiday ended. Indeed, I note that NatWest's agent explained that Ms C could make a single payment to clear the arrears or could potentially repay them over a term of up to 24 months.

Ms C may argue that she wanted to clear the arrears on her loan over a 24-month period, but that NatWest wouldn't allow her to do so. Ms C is correct in this regard, but NatWest's refusal to set up an arrears repayment plan was based on the income and expenditure information that Ms C provided to them, which has repeatedly shown that Ms C has monthly outgoings that exceed her income which means that there is no money available to Ms C for her to repay her NatWest loan arrears.

Credit providers such as NatWest have an obligation to not set repayment terms that an account holder has demonstrated they can't afford. And, in this instance, Ms C has demonstrated that she can't afford to make any form of payment towards her loan arrears, because she doesn't have any monthly income available to her to do so. Because of this, I don't feel that NatWest have acted unfairly towards Ms C by not setting up a formal loan arrears payment plan as she would like, because if they did, then they'd be expecting Ms C to make loan arrears payments that they know she can't reasonably afford to pay.

When a loan account holder can't meet the contractual repayment terms of their loan, as it seems that Ms C may not be able to do here, given that she lacks the affordability to clear the outstanding loan arrears, the established process is that the credit provider would move to default the loan, which has the effect of freezing the account balance and preventing any further interest or charges from accruing. Indeed, a credit provider such as NatWest needs to be careful that they don't, by providing ongoing support to an account holder, allow that account holder to incur an ongoing accrual of account or arrears interest that reasonably shouldn't be incurred.

Ms C is unhappy that NatWest are charging her interest on the arrears that have accrued on her account. But again, given that a credit provider charges interest on money outstanding and given that loan arrears are money that remains outstanding, I feel that it stands to reason that NatWest would apply interest to Ms C's account arrears. I also note that the terms of the loan clearly explain that interest will be charged on account arrears.

Ms C has said that if it had been made clear to her that she would be charged interest on her account arrears, she wouldn't have agreed to the three-month loan repayment plan. But the income and expenditure information provided by Ms C showed that she had no availability to make the loan payments, and indeed she had missed the previous month's payment. As such, I don't find Ms C's argument that she could have made the loan payments and that she didn't need the payment holiday to be persuasive – in short, because if she could have afforded to make the payments she wouldn't have needed to contact NatWest about the payment holiday at all.

I also don't feel that NatWest's agent misled Ms C about the fact that interest would be incurred on the account arrears. Having listened to the call, I note that NatWest's agent clearly explained to Ms C that interest on her account would only be frozen during the three-month term of the payment plan, meaning that interest would be applied to Ms C's account balance after that time. And, as previously explained, the terms of the account explain that interest will be applied to account arrears and I feel that it stands to reason that would be the case. Furthermore, to reiterate, I'm not persuaded that Ms C would have been able to make the loan payments for the three months in question, even had she wanted to.

All of which means that I don't feel that NatWest have treated Ms C unfairly here as she contends. This is because I feel that the details and consequences of the payment holiday were explained to Ms C and because I'm not satisfied that Ms C had any other feasible option other than the payment holiday at that time, because of the financial difficulty that she's described to NatWest and this service. And I feel that this means that it was most likely unfortunately always the case that Ms C's account would fall into arrears, which would incur interest, and that Ms C would be expected to clear those arrears alongside making her ongoing contractual monthly payments.

I realise this won't be the outcome that Ms C was wanting, but it follows that I won't be upholding this complaint or instructing NatWest to take any further or alternative action. I hope that Ms C will understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

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

Paul Cooper
Ombudsman