

## **The complaint**

Ms J complains about NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY's actions in respect of a business loan. In particular, she complains:

- NatWest failed to correctly calculate her repayments following the base rate reductions in August 2024 and November 2024, leading to unnecessary arrears and significant distress.
- NatWest provided inconsistent and incorrect information, further delaying resolution.
- NatWest added an extra year to her loan term, breaching the original loan agreement. She considers the term should only be extended by seven months.
- The £500 compensation NatWest has offered is inadequate given the financial, emotional, and health impacts caused by NatWest's mishandling of her complaint.

## **What happened**

NatWest told us:

"The following time-line of [Ms J's] Business loan [account number redacted] shows why additional interest was charged from October to December 2023.

It should also be noted that the issues around the interest charged and refixing of the loan has been subject to previous complaints and referral to your service.

[Ms J] successfully obtained a Fixed Rate Business Loan for £148,000 in September 2016.

The loan was granted over a term of 180 months (15 years).

The loan was fixed at 3.49% over the fixed rate period of 36 months (3 Years) from 29 September 2016 to 29 September 2019 with loan repayments of £1,056.08. The follow on rate was Base rate + 5%.

The loan was refixed in October 2019. It was initially refixed for 36 months (3 Years) for period 01 October 2019 to 02 October 2022 with a fixed rate of 5.04% (follow on rate Base rate plus 5%) with loan repayments of £1,149.16. However, we extended the fixed term for a further 12 months due to the COVID Capital Repayment Holidays (CRH) obtained over period March 2020 to March 2021.

The loan repayments were initially fixed at £1,149.16 for period 29 October 2019 to February 2020.

No repayments were made over period March 2020 to 01 March 2021 due to 2 X CRH's.

Following the end of the CRH's, the loan repayments were recalculated to £1,154.01 from 29 March 2021 to 29 September 2023.

For clarity, the fixed interest rate for period 01 October 2019 through to 02 October 2023 was 5.04%

At the end of fixed rate term in October 2023, [Ms J] had the option to refix the loan, but as she didn't refix the loan, the loan converted to a Variable Base Rate loan and the follow on rate was applied (Base rate plus 5%) from 03 October 2023 with repayments of £1,415.67 and repayments of £1,398.78 from 14 October 2024. For clarity, the variable rate of the loan from 03 October 2023 to present is Base rate plus 5%.

A Partial Fixed Rate Expiry Notice was issued to [Ms J] on 11 October 2023 confirming the variable rate of interest, new repayment amount and next repayment date...

The refixing of the loan in October 2019 was subject to a complaint which we responded to within complaint [reference redacted] and FRL 03 October 2019...

[A later complaint from Ms J] was subject to a FOS complaint January 2024 under [reference redacted] which we provided our Business File to your service on 10 January 2024 .

As you can see, the reason the interest is higher for period October to December 2023, compared to the prior three months is because the rate of interest was Base rate plus 5% from October 2023, compared to the prior fixed rate of 5.04% applicable from July to September 2023."

Ms J told us that NatWest hasn't provided an explanation as to why the interest she paid on her loan increased so substantially after 2023, and that she has never been provided with a clear confirmation of the start and end date of each repayment holiday.

NatWest offered to pay Ms J £500 to apologise for the confusion it had caused. One of our investigators thought that offer was fair, but Ms J did not agree. The matter was therefore passed to me to review.

### **My provisional decision**

I issued a provisional decision on this complaint in November 2025. I said:

"[M]y provisional conclusions are:

- I have seen nothing to suggest that NatWest has made errors with the interest rate, term, or payments due on Ms J's loan.
- NatWest's customer service was poor. For example, it gave Ms J conflicting information about whether it had written off debt, and about the length of her capital repayment holidays.
- The offer NatWest has already made, to pay £500 to Ms J, represents a fair and reasonable resolution to this complaint.

I explain my findings in more detail below.

### ***The interest rate***

I've carefully considered Ms J's comments about the interest rate Lloyds has charged, and in particular her concern about paying more interest after December 2023 despite reductions in the Bank of England base rate.

I can see that a fixed rate of 5.04% applied to Ms J's loan from 1 October 2019 until 2 October 2023. After that fixed rate expired, interest was charged at rate plus 5% - which I can see is the follow on rate given in the original loan documents. That is almost twice the fixed rate of 5.04%. I can see why Ms J is extremely unhappy about the large increase, but I consider that it simply reflects underlying changes in interest rates since Ms J's loan was taken out.

I haven't seen anything to suggest that Ms J and NatWest agreed a new fixed rate to apply after 2 October 2023, so I don't see anything wrong in NatWest's decision to charge the rate in the original loan documentation.

### ***The term of the loan***

Ms J's loan originally had a term of 180 months (15 years), and was due to be fully repaid in September 2031. NatWest has since extended the term of the loan by a further 12 months (one year) as a result of capital payment holidays.

I can see that there was considerable confusion on NatWest's part about the capital repayment holidays. I can see from the loan statement that Ms J did not make payments towards her loan between March 2020 and March 2021. However, I can also see that NatWest's "Flexible Option History" show two capital repayment holidays, from 29 May 2020 until 29 September 2020 (booked on 26 May 2020), and then from 30 November 2020 to 1 March 2021 (booked on 19 November 2020).

I think the confusion here stems from the capital repayment holidays being agreed retrospectively. The first capital repayment holiday does not appear to have been entered onto NatWest's system until May 2020, but it applied from March 2020. That led to NatWest telling Ms J – in error – that the first capital repayment holiday did not begin until May 2020.

I don't criticise NatWest for its delay in recording the first capital repayment holiday onto its systems. I'm aware that many banks made changes to their processes in a relatively short space of time, in order to support customers affected by the pandemic. The capital repayment holiday benefitted Ms J, in that if it had not been agreed then NatWest would have reported her failure to make payments to credit reference agencies. Nothing Ms J has said since has indicated to me that she did not want the capital repayment holidays.

NatWest has not been able to provide me with all the documentary evidence that I would usually expect to see in respect of the first capital repayment holiday (although it has provided evidence in respect of the second one). Ms J has suggested that that may mean the first holiday was applied unlawfully.

As an ombudsman, it is not my role to make a ruling on whether a bank has acted lawfully or unlawfully – that is something for the courts to do. My role is to decide an outcome that I consider to be fair and reasonable in all the circumstances of the complaint.

It is unfortunate that NatWest is not able to produce an agreement in respect of the first payment holiday, but I don't think that implies it has treated Ms J unfairly. In the circumstances, I am satisfied that an agreement did exist. If there was no such agreement, then Ms J simply failed to make six payments – and I would have expected NatWest to have taken action as a result. I also note that paperwork in respect of the second capital repayment holiday notes that it is merely an extension of the first one. If that was not true, I would have expected Ms J to have raised the matter much earlier.

Given that Ms J missed payments for one year, I see nothing unfair about NatWest extending the term of the loan by one year. If Ms J would prefer to keep the original end date of her loan – which would mean she would have to significantly increase her monthly payments – it is open to her to discuss that possibility with NatWest.

### ***The payments due***

Ms J's loan is now on a variable rate of base rate plus 5%, which means the monthly amount due on her loan changes every time base rate changes. NatWest does not proactively contact her to tell her what the monthly payment will be, and Ms J is not happy about that. Instead, it says that she should call it to find out how much is due.

I'm sorry to further disappoint Ms J, but NatWest is not required to proactively contact her to tell her about changes to the payment due on this unregulated business loan. She has made clear that she thinks that is unreasonable, but I do not agree – and I am not going to order NatWest to contact her proactively.

NatWest has offered an alternative. It has said that if Ms J signs a direct debit mandate, it can automatically take the correct payment from an external bank account on the correct date. I understand Ms J does not wish to pay by direct debit, but that means she will have to continue to contact NatWest to find out the correct payment.

### ***NatWest's customer service***

NatWest accepts that its customer service has been poor. I agree.

As examples – but not an exhaustive list – NatWest told Ms J that it had written off £1,410 of her debt when that was not the case. It gave her various incorrect dates for her capital repayment holidays, and it took a long time to give her a full explanation of the interest rate applicable to her loan.

I understand from Ms J that she did not receive a statement showing changes to the balance of her loan until our investigator got involved. Again, I think NatWest should have provided her with that information more quickly than it did.

In the circumstances, I think it is right that NatWest has offered to pay compensation for its poor customer service.

### ***NatWest's offer***

I agree with our investigator that NatWest's offer is fair.

I don't think Ms J has suffered a financial loss as a result of NatWest's customer service errors. But she will have suffered some disappointment and inconvenience.

We publish information about our approach to compensation for non-financial loss on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. Amongst other things, that guidance says:

“An award of over £300 and up to around £750 might be fair where the impact of a mistake has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months, but it could also be fair to award in this range if a mistake has a serious short-term impact.”

NatWest has offered to pay Ms J £500. Taking into account our guidance, looking at what happened here, and applying my own judgement, I see no basis on which I could fairly order NatWest to increase that award.

I'm aware that Ms J would like me to order NatWest to write off all interest and charges from August 2024 onwards, but I consider that NatWest was entitled to charge interest in the way that it did.”

NatWest accepted my provisional conclusions in full, but Ms J did not. She provided a detailed response, which I confirm that I have read in full. I have not responded in the same level of detail, but I intend no discourtesy by that; it simply reflects the informal nature of the Financial Ombudsman Service.

In summary, Ms J said:

- NatWest has not provided correct repayment amounts following multiple base rate reductions.
- NatWest has failed to provide a full up-to-date statement.
- NatWest must be required to notify her of correct repayment amounts after every base rate reduction.
- She has suffered financial loss because NatWest's delays caused unfair interest charges.
- The Covid payment holiday extension is incorrect.
- Her interest charges have doubled since December 2023 despite falling base rates.
- She still does not know the correct repayment amount.
- The Financial Ombudsman Service has still not provided her with NatWest's most recent submissions.
- The proposed compensation of £500 is inadequate and must be significantly increased.

### **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, whilst I am sorry to further disappoint Ms J I have reached the same conclusions as I did in my provisional decision, for the same reasons. I therefore confirm those provisional conclusions as final. There is very little I can add to what I have already said, but I will make some further comments below.

Firstly, I am satisfied that the Financial Ombudsman Service has made Ms J fully aware of NatWest's submissions. Some of the information we have provided has been redacted, for example to remove the name and contact details of NatWest's casehandlers, but I am satisfied that she has seen all the information that I have relied on. In particular, I quoted NatWest's most recent submission at the beginning of my provisional decision (and I have reproduced it again above).

I have carefully considered Ms J's comments, but I remain satisfied that NatWest is not required to proactively contact Ms J to tell her about changes to the interest due on this loan. I consider that NatWest has been clear about how Ms J can find out about the payments due, and it has also offered her the opportunity to pay by direct debit. I acknowledge that Ms J is deeply dissatisfied with the options NatWest has offered to her, but I see nothing unfair about those options.

Ms J is right to say that the interest rate on her loan increased substantially in late 2023, despite falls in base rate. But I don't think NatWest has miscalculated anything, nor do I think it has misapplied any formulae. The bank's explanation is "the reason the interest is higher for period October to December 2023, compared to the prior three months is because the rate of interest was Base rate plus 5% from October 2023, compared to the prior fixed rate of 5.04% applicable from July to September 2023". I accept the bank's explanation. The rate applicable to Ms J's loan from October 2023 onwards was base rate plus 5%, which is much higher than the fixed rate of 5.04% that she was previously paying. I see nothing wrong in that, and I note that it is very common for a loan to move to a variable rate after a fixed rate has expired.

Similarly, I accept the bank's explanation about Ms J's repayment holidays. She did not make payments to her loan between March 2020 and March 2021, and I am satisfied that that is because she had agreed payment holidays with the bank. It is unfortunate that the bank is not able to produce copies of all the relevant documentation, but in the overall circumstances I think it is much more likely than not that repayment holidays were agreed. In any event, even if repayment holidays were not agreed, Ms J has still not lost out – if the holidays were not agreed, then NatWest would have been entitled to treat the missed payments simply as arrears.

NatWest has extended the term of the loan by one year because Ms J did not make payments for one year. I think that is reasonable, but as I said in my provisional decision it is open to Ms J to discuss the possibility of reducing the term of her loan back to its original end date. However, if she does that she will need to substantially increase her monthly payments.

Overall, I remain satisfied that NatWest has made no errors with the interest rate, term, or payments due on Ms J's loan. I do think that its customer service could have been better, but for the reasons I gave in my provisional decision I consider that the bank's offer of £500 represents fair compensation for that issue.

### **My final decision**

My final decision is that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY's offer to pay £500 is fair and reasonable in the circumstances of this complaint. I therefore order the bank to pay Ms J £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 2 January 2026.

Laura Colman  
**Ombudsman**