

The complaint

The two business partners of P (who I'll refer to as Mr S and Mrs K, or the partners) have brought this complaint to us about how National Westminster Bank PLC have dealt with their secured business loan. The partners complain that NatWest unfairly enforced its security and sold the security property at an undervalue. They ask for compensation.

What happened

The partners took out a secured loan for £200,000 with NatWest in 2022. The loan was secured by a charge on a leasehold commercial property.

The partners missed some monthly loan payments in 2023. While they resumed monthly payments in late 2023 they didn't repay the arrears or agree a plan to do so.

NatWest wrote to the partners about the arrears a number of times before taking steps to enforce its security. NatWest says it took advice about the value of the property before agreeing to sell the lease to the freeholder.

The partners said NatWest didn't tell them it intended to sell the property, and ignored their payment proposals. They say NatWest sold the property at an undervalue.

I sent a provisional decision to the parties to explain why I didn't intend to uphold this complaint. The partners didn't agree. A representative sent comments on their behalf.

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.

The partners missed several loan repayments in 2023. They restarted monthly payments in late 2023, but didn't make payments towards the arrears. In March 2024 the loan was in arrears of about £12,000.

NatWest wrote to the partners a number of times about the arrears. NatWest's relationship manager was in contact with the partners by email and phone. I think NatWest made fair and reasonable attempts to contact the partners, and gave them fair opportunity to repay the arrears or put forward a credible proposal to do so.

NatWest sent a final demand to the partners in April 2024. It wrote to them in June 2024 saying it would instruct a valuation and asked the partners to allow the valuer access to the property. It sent a further letter in July 2024 saying it was considering enforcing its charge. It said this could be stopped if the partners repaid the full balance or telephoned immediately to agree a repayment plan. The letter said NatWest would enforce the charge if it didn't hear from the partners within 14 days. NatWest set out the options available to it, and said this could result in the property being placed in the first available auction. The partners' legal representative sent an email to NatWest in early October 2024 in which he referred to the property being listed for sale at auction, so I think the partners knew what was happening with the

property.

The partners say they wrote to NatWest with a proposal. They say NatWest received this within the deadline in the July 2024 letter, but failed to forward it to the relevant team. In response to my provisional decision, the partners' representative said NatWest pre-determined that it would reject the proposal. The evidence doesn't support that. NatWest said the proposal wasn't sufficient for it to stop enforcement action as it didn't address the arrears. NatWest said its error in not dealing with the proposal promptly made no difference to the outcome.

By mid-2024 the loan had been in arrears for more than 12 months. The partners hadn't put forward a credible proposal to repay the arrears. I think it was fair for NatWest to take steps to recover the loan.

NatWest appointed an asset manager, which obtained valuations and recommended that the property was sold at auction without possession (as this would be quicker than taking possession). Prior to the auction, the freeholder made an offer to buy the lease. NatWest sold the lease to the freeholder at the higher of the guide prices recommended by the auction houses. The sale completed in mid-October 2024.

The partners say NatWest sold the property at an undervalue. They say it didn't allow viewings or mention the tenant. They say the freeholder indicated multiple times they were willing to pay £300,000. The partners said the property was let for £70,000 per year – more than it was sold for.

NatWest says it was aware the partners had let the property. But the advice it received was that the property appeared vacant. The representative says these statements are contradictory and can't both be correct. The representative said there was signage at the property, contrary to the valuer's account, and provided a dated photograph.

A property can be let and still appear to be vacant – for instance the tenant might not actively use or occupy the property. If signage was present, I don't know why the valuer didn't see it. But NatWest couldn't have known this.

The representative said the partners provided evidence of an active tenancy and rental payments. That's not the case. The evidence the partners provided showed payments made to a third party. The photograph provided is dated November 2024, after the property was sold. And while signage could indicate the building was in use, it's not conclusive. It could simply be that a sign was put up at some point and not taken down.

In mid-2024 only 11 years of the lease remained, and NatWest was advised that this limited potential buyers. Initially the property was valued at over £200,000. In their report the valuer said they didn't access the interior and made assumptions about its condition and other matters. Three auction valuers gave the property lower valuations (not higher than £50,000) due to various issues which affected the saleability and the number of potential buyers.

If the partners had evidence that the freeholder – or anyone else – was willing to pay £300,000 for the lease they could have provided this to NatWest. If, as the partners say, a family member was willing and able to buy the lease for an amount that would have allowed them to repay the loan to NatWest they could have provided evidence of this to NatWest. I can't fairly agree with the representative's comment that they were unable to do this due to NatWest's lack of engagement and its pre-determined refusal of their proposal.

The partners provided evidence of payments of about £38,000 from the tenant in late 2023 and further payments in 2024. However these payments were made to an account in the

name of a third party. No evidence was provided that these payments were received by the partners. If the payments were received by the partners, it's not clear why they didn't use the funds to bring the loan up to date, or agree an arrangement with NatWest to do so. The representative didn't explain this in their response to my provisional decision.

The partners say NatWest misled them that it would offer a payment arrangement while arranging to sell the property without telling them. I can't fairly agree with that. As I said, I think NatWest gave the partners fair opportunity to repay or put forward a credible proposal to repay the arrears. NatWest made them aware it would take action to recover the debt and this could include selling the property. The partners knew by early October 2024 that the property was listed for auction. If they had a credible repayment proposal or evidence that the freeholder was willing to pay £300,000 they could have provided this to NatWest.

It's possible the property might have fetched a higher price if it had been sold by auction. But there's no guarantee that would have been the case. In the circumstances, I think NatWest was entitled to rely on the advice it was given about the property, the best route to realise the asset and the amount the property was likely to be sold for at auction.

The sales proceeds were not enough to repay the debt owed to NatWest. The partners now owe a shortfall debt to NatWest. They should remain in contact with NatWest with the aim of agreeing how this will be repaid.

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 the partners to accept or reject my decision before 25 February 2026.

Ruth Stevenson
Ombudsman