

The complaint

A company which I'll call 'S' complains that National Westminster Bank Plc (NatWest) has behaved unfairly when providing an agreement in principle for a loan as this wasn't in line with what had been discussed with the bank's Relationship Manager.

The complaint is brought on S's behalf by one of its directors, Mr H.

What happened

S told us:

- It had tried to take a fixed rate loan out with NatWest since November 2020 to repay a loan with a different lender as the repayments were less.
- Its fixed rate loan with the other lender had ended in November 2022, and it had been on a higher variable rate since then. It hadn't taken out a new loan yet as it was still trying to finalise the loan it had discussed with NatWest.
- Our service looked at the complaint about NatWest's actions in not providing the loan terms as agreed and directed the bank to offer loan terms as they would have been in September 2022. Our service also said NatWest should refund the difference in any payments between what S had paid to the other lender and would have paid on the loan with NatWest, along with 8% simple interest and £500 compensation.
- NatWest had provided the agreement in principle as instructed by our service; however, the terms had been unfair. It had been offered on a capital repayment basis, not interest-only, it had been at a much higher rate than discussed and the security valuation figures required were unreasonably high.
- NatWest had deliberately provided loan terms that it couldn't accept so it didn't have to pay the compensation due or arrange the loan.

NatWest told us:

- It had offered new terms to S as an agreement in principle as directed by our service, but there was no obligation for the company to accept them if it didn't agree with them.
- The agreement in principle was based on the terms of September 2022 as instructed by our service. The agreement in principle didn't confirm the loan repayments, but this wasn't part of its process, so there hadn't been any bank error.
- There was no direction from our service that the repayments needed to be less than £2,000 as S had requested.
- It hadn't made an error when providing S with the agreement in principle for the loan.

The difference in the monthly repayments was because its loan was on a capital repayment basis and the existing loan with the other lender was on an interest-only basis. So, there would never have been a refund to be paid as the payments on a repayment mortgage were higher than they would be on an interest-only basis.

The investigator didn't recommend S's complaint be upheld. She thought the agreement in principle provided by NatWest offering a fixed rate loan was reasonable. She thought the interest rate was in line with the rates available in September 2022 and noted that an interest-only loan hadn't been offered, and the bank had said it wouldn't do so. This was a commercial decision we couldn't interfere with. The investigator was also satisfied that the valuation figure required by NatWest was in line with the security valuation provided by S in 2023, and therefore it wasn't fair to say this was too high. The investigator said that if S was unhappy with the terms offered by NatWest it was free to look for alternative options.

Mr H didn't agree and asked for an ombudsman to review S's complaint. He said S had always asked for an interest only loan over five years, and at no point had a capital repayment one been discussed. It also said it had never taken out a loan with NatWest at more than 3% over the base rate. As an agreement couldn't be reached, the case was passed to me to decide.

I issued a provisional decision on 31 March 2026. I said the following:

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've decided not to uphold it, although my reasoning differs from our investigator.

Mr H has told us from the outset that S was provided with poor service by NatWest, and in particular the Relationship Manager (RM) at the time. Mr H said he was repeatedly reassured by the RM that S's mortgage loan was approved which is why he continued to pursue NatWest and not look elsewhere. I've reviewed all the evidence provided by both parties for both this and the linked complaints which were brought to our service, and I can understand why Mr H feels frustrated with the bank's actions here. However, whilst I agree NatWest's service could have been better, that doesn't mean I can ask the bank to put S in the position Mr H would like. I'll explain why.

Mr H told us the mortgage offer provided by NatWest wasn't in line with what he'd discussed with the RM and therefore wasn't a fair way to resolve S's complaint. Mr H told us he'd only discussed an interest only mortgage for S to replace the one it held with another lender, and a repayment mortgage had only been discussed after he'd complained. However, I'm not persuaded that's the case as I've seen the bank's records from September 2022 which show different options were discussed including fixed and variable rates, and part interest only and repayment on terms of ten to fifteen years. So, I think at some point there was at least a conversation about the different ways in which NatWest was prepared to lend to S and I'm satisfied repayment options were discussed between Mr H and the RM before Mr H had complained.

However, I'm not persuaded by the bank's argument it was only willing to lend to S on a repayment basis, and that is the reason the agreement in principle was provided on that basis. I say that because I've seen records of the RM's discussions with the sanctioning team of what terms it was prepared to lend on, and whilst I agree the sanctioning team may have been clear on what could be offered, I don't think that was communicated to S. Mr H says he was repeatedly reassured by the RM that S's loan had been agreed by NatWest's sanctioning team, and although I don't have

access to all the calls from 2020 onwards, from what I can see, I'm satisfied that was likely the case. However, it appears the specific terms on which Mr H wanted S's loan to be approved on, hadn't been and weren't going to be, agreed by the bank.

As I've mentioned earlier, Mr H says he was told S's loan for around £556,000 had been approved on an interest only basis by the RM – and I accept what he's told us. But I've seen NatWest's records from the sanctioning team, and its lending policy and I haven't seen any evidence S's loan was ever agreed on this basis. I recognise Mr H is unhappy as he says he was given assurances over a lengthy period by the RM and NatWest has failed to honour this, but I don't think NatWest has behaved unfairly by providing an agreement in principle on a repayment basis. It's not my role to fine or punish a business for making a mistake, nor can I tell NatWest to provide a loan to S on terms which it would never have sanctioned. So, I'm sorry to disappoint Mr H, but even if I had access to every call between S and the RM, and the RM said with certainty the loan would be approved on this basis, that would not change my decision. I say that because it wouldn't be fair for me to direct NatWest to provide a loan to S on terms which were not in line with its lending criteria. The lending criteria of a business is something it has commercial discretion over, and it isn't something our service would interfere with unless those terms were fundamentally unfair. I'm sorry to disappoint Mr H but that isn't the case here.

NatWest has said an interest only loan wasn't never going to be offered to S and Mr H had been made aware of this, but I don't agree. I haven't seen any evidence Mr H was told an interest only loan wasn't possible on the full £556,000 loan amount until after he'd complained to the bank in mid-2023. Prior to this date, I can see there were discussions about whether a £440,000 loan could be provided to S on a repayment basis (on various different rates and repayment terms depending on the date of the discussions) and the remaining £106,000 provided to Mr and Mrs H personally on an interest only basis due to the type of security held by the bank. Indeed, even the email from the RM to S on 31 May 2023 says "*I have asked for £100K so £590 overall. This is on the new property and int only.*" So, I think it was reasonable why Mr H believed these loan terms were possible, particularly as the RM's email also implies it's just the pricing for the loan he is trying to get agreed, until June 2023 when the RM says what has formally been agreed. So, I do think S was caused inconvenience by NatWest's unclear communication over a significant period of time.

I've also thought about whether the fixed rate NatWest has offered for the fixed rate is fair. NatWest has offered S a five-year fixed rate of 6.8% which it says is in line with the rates available at the time. The bank has provided details of the funding rates available for the date agreed by all parties for the terms of the agreement in principle to be set (this was the date our investigator said S should reasonably have been provided with the loan and was agreed by the parties under the original complaint reference). NatWest says the average rate for the day was 4.58% so that plus lowest margin of 2.25% which was discussed between S, the Relationship Manager and the bank's Sanctioning Team means 6.8% is comparable.

I'm not entirely persuaded that's the case as the evidence provided by the bank doesn't show the historical rates it was actually offering to customers at that time. Furthermore, I've seen evidence from the RM which says the fixed rates he was discussing with S in September 2022 were between 5-6%. So, I can understand why Mr H says the bank has behaved unfairly here. The difficulty here is that I can't be sure exactly what rate would have been agreed for S in September 2022 as there isn't any information to say what fixed rate would have been agreed by the sanctioning team. The evidence I've seen from the bank shows the discussions

between the RM and sanctioning team were more focussed on what margin could be provided over the base rate to reduce S's payments from the existing loan. There are also records showing discussions between Mr H and the RM about repaying some of the loan early due to expected inheritance. The earliest reference to a fixed rate appears to have been in June 2023 when the RM provided repayments based on both 2.25% over base rate and fixed rate options of 6.75% for a 5-year fixed and 6.85% for a 10-year fixed. So, whilst I recognise the rate of 6.8% is likely higher than what was initially discussed with the RM, based on the evidence provided by the bank, I can't say this is unfair.

I also recognise Mr H says a rate of 1.75% was discussed initially and the monthly repayment will still be more than the £2,000 per month figure he says was discussed with the RM. However, I haven't seen any evidence from either party of a rate of around 1.75% being mentioned, either as a fixed rate or a margin over the base rate. Indeed, the lowest margin I've seen referenced at any point, which the bank agreed to honour, was 2.25% over the base rate should S choose a variable rate option rather than a fixed. I also haven't seen any evidence the RM said S's monthly repayment would be less than £2,000. Again, I accept what Mr H has told us, but I haven't seen any evidence from either party which would show any of the combinations of repayment types, and rates mean S would pay less than £2,000 per month.

Mr H told us he feels the valuation figure requested by NatWest was unreasonable, but I don't agree. NatWest has provided evidence the valuation amount it requested was based on the figures provided by S at that time. Given that the terms of the agreement in principle have been backdated to September 2022, and no further valuation has been provided or requested by the bank, I think it reasonable for NatWest to rely on the security valuation figure it would have needed for S had it lent to it in September 2022. NatWest has also told our service a valuation hadn't been provided for S's properties since 2009. So, I don't think it was unreasonable for the bank to request updated valuations be provided by S to support its borrowing requests, or that the valuation figures were in line with the information provided by S.

I acknowledge my decision will be disappointing for S's directors, and I don't dispute what they've said about feeling misled and treated poorly by the bank. However, I simply do not have the power to ask the bank to put S in the position Mr H says was agreed. Nor do I have sufficient evidence to say NatWest has behaved unreasonably in offering the fixed rate it has. I do think NatWest's communication has been poor, and conflicting information has been provided. However, I'm satisfied NatWest's offer represents a fair and reasonable conclusion to S's original complaint. Just for the sake of clarity, I also think the offer is in line with the terms set out by our investigator in the original case. Furthermore, I can see that NatWest has paid S a total of £1,400 compensation for the inconvenience caused by the RM's actions. Even if I were able to consider the RM's actions as part of this complaint, this is in line with the award our service would make so I wouldn't be looking to increase this figure further.

I invited S and Barclays to give me any more evidence and information they wanted me to consider before issuing my final decision. Barclays accepted the decision and had nothing further to add. S didn't accept the decision and said in summary:

- The RM had offered 2.25% over base rate as a loan rate after S had made a complaint, so the loan rate should have been 2.25% plus the bank rate at the time of 1.5% equalling 3.75% not a fixed rate of 6.8%.

- There were no discussions with the RM about repayment options. S had only ever discussed an interest only loan for the full amount outstanding with the other lender. At no point did the RM made S aware the interest only option wouldn't be offered, this was only discussed after S had made a complaint.
- It's unfair that our service hasn't listened to the calls with the RM and has refused to seek a statement from Mr and Mrs H's personal bank manager. The RM repeatedly lied and deceived S and as a result, as incurred extra costs of around £2,000 per month.
- It had provided evidence that it had sufficient funds to repay the interest only loan if the term wasn't able to be extended past the five-year interest only term.

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.

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Having done so, I've reached the same conclusion as I did in my original decision, for broadly the same reasons.

I recognise Mr and Mrs H are unhappy as they feel testimony should have been sought from their personal bank manager. But I don't think this specific evidence is necessary in this case because I have already accepted that the RM likely misled S and caused the company inconvenience. It also appears the bank has accepted S was given misleading information as it has apologised and paid compensation – so S's complaint about inaccurate or misleading information being provided by the RM isn't in dispute.

However, as I've mentioned in my provisional decision, I'm not persuaded that S only discussed an interest only option with the RM based on the evidence I've seen. I recognise different options may have been discussed and discounted because of S's requirement for the interest only loan, but I'm satisfied they were discussed. I also think this is the same with the interest rate options provided to S. Mr and Mrs H say the fixed rate offered by NatWest for the agreement in principle should be 3.75% not 6.8% as S was offered a margin of 2.25%. However, it's not in dispute that a margin of 2.25% was discussed, but as I've noted in the provisional decision this was for a variable rate product not a fixed rate. The financing requirements for a fixed rate and a variable rate are different, and I haven't seen any evidence to suggest a fixed rate of that level was discussed or agreed. Indeed, the lowest fixed rate referenced was the 5-6% noted by the RM – but as I explained, I cannot say what rate would actually have been offered at that time.

Mr and Mrs H have provided evidence which they say was provided to the RM and shows S would have been able to repay an interest only loan in five years - had that been put in place as agreed. However, I'm afraid I don't think that's relevant to this complaint. I say that because the evidence provided by Mr and Mrs H showing the sale of assets is from events which have taken place recently. Furthermore, I don't think the assets held by Mr and Mrs H and S were disputed as I can see there were discussions between the RM and sanctioning team about this. It appears NatWest was aware of all the assets held by S and Mr and Mrs H but didn't want to offer the terms requested by S. That's a commercial decision the bank is able to make and not one our service would interfere with.

I am sorry to disappoint Mr and Mrs H as I know they feel strongly about this complaint and I don't dispute the impact this matter has had on them personally and S's financial position. However, I can only look at the inconvenience caused to S by the RM's actions not Mr and Mrs H personally. And, as I've said in my provisional decision I don't think it's fair or reasonable to ask NatWest to provide S with loan terms Mr and Mrs want, because I haven't seen sufficient evidence it was willing to provide the loan on those terms. NatWest has accepted its RM made mistakes, apologised and paid a total of £1,400 compensation to S for the inconvenience caused to S. As this is in line with what I would have recommended to put things right, I can't reasonably ask NatWest to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 22 May 2026.

Jenny Lomax
Ombudsman