

summary of complaint

Mrs S, who is a sole trader, complains that National Westminster Bank Plc ('NatWest') did not act in her best interests when it advised her to convert the overdraft on her business current account into a loan. She says that because of this, her business has struggled financially and she is now paying back two amounts of interest rather than one.

Mrs S also raised concerns about the way NatWest allowed her to accrue a large overdraft in the first place, without each time checking to make sure she could afford it.

background

The adjudicator who considered the case was not persuaded that NatWest had treated Mrs S unfairly. He concluded that NatWest was not being unreasonable when it discussed with her its concerns over the outstanding debt. He concluded that it was entitled, as a legitimate exercise of its commercial discretion, to take action to limit the risk that the debt represented, by seeking – and securing – Mrs S's agreement to convert the debt into a fixed-term loan. Nor was he persuaded that, by converting the overdraft to a loan, NatWest had made Mrs S's overall financial position worse in the long term.

The adjudicator expressed some concern about the bank's inability to demonstrate that previous increases in the overdraft limit had been properly assessed for affordability. However, on the balance of probabilities, he concluded that on each occasion, a conversation would have taken place during which affordability was likely to have been considered.

Mrs S did not agree with the adjudicator's assessment, and asked for her complaint to be reviewed by an ombudsman.

my findings

I have considered afresh everything that Mrs S and NatWest have said and provided from the outset in order to decide what is fair and reasonable in the circumstances of this complaint.

Mrs S clearly believes that she was wrongly advised by NatWest and felt pressured into accepting a loan; and I do recognise her strength of feeling. I also note that she says she should have been offered other options by NatWest.

Be that as it may, when I consider NatWest's actions in the wider context, it seems to me that in the circumstances, converting the overdraft to a loan, with regular repayments over a fixed term, was neither unfair nor unreasonable. It was also, in my view, preferable to leaving things as they were, for both parties. I say this because, for Mrs S, it substituted a structured schedule of debt reduction for the previous uncertainty. Meanwhile, for NatWest, it represented a reasonable step to reduce its own exposure to the risk of the debt not being repaid.

Looking at the information NatWest has provided, it does not seem that the conversion of the overdraft into the loan has caused Mrs S to be worse off financially. Generally speaking, personal loans attract lower rates of interest than overdrafts, and it does appear that here, Mrs S has been charged less interest on the loan than she would have been if the debt had remained as an overdraft. The other observation I would make is that unlike a fixed-term

loan, an overdraft can be “called in” – that is, the bank may insist on immediate and full repayment on demand - at any time.

I share the adjudicator’s concerns that we cannot be certain that a proper assessment was made each time the overdraft was increased. However, this alone is not enough for me to be able to make a finding that Mrs S was most likely treated unfairly, or that she was an unwilling participant in the decision to increase her overall level of debt from time to time.

I would make one further observation. All other things being equal, NatWest is entitled to expect the loan to be repaid, but I would remind the bank of its ongoing duty to treat consumers in financial difficulties positively and sympathetically. If, at some future time, Mrs S found herself in that position, and considered NatWest was not adhering to that duty, she would be entitled to make a fresh complaint.

my final decision

For the reasons set out above my final decision is that I do not uphold this complaint.

Jeff Parrington
ombudsman