

complaint

Mrs H complains that The Royal Bank of Scotland plc misinformed her before she agreed to be a guarantor for a loan, failed to deal properly with an application to replace her as guarantor and mishandled arrangements to recover the debt from her.

background

Mrs H agreed to be guarantor for lending to a company of which she was a director. She says she was assured that there would be no problem in transferring the guarantee to another director's name at a later date. The following year she and that director tried to arrange for the security to transfer to the other director's name as she planned to withdraw from the company. However the transfer had not gone through when, about another year later, the bank demanded a payment from her under the guarantee. Subsequently the bank and its debt collection agents pursued Mrs H for the money. Eventually Mrs H agreed a settlement with one of the agents and made the payment, but six months later another debt recovery service began pursuing Mrs H for the full amount of the original debt. Only considerably later did Mrs. H receive written confirmation from the bank that the matter was now settled.

our adjudicator's view

Our adjudicator recommended that the complaint was upheld in part. He did not consider that there was sufficient evidence to show that Mrs H had been misled about the possibility of transferring the guarantee. When the application was made to transfer the guarantee, the bank had decided, as it was entitled to, that the other director did not meet its criteria even though he had been willing to take over responsibility. The bank had been entitled to pursue Mrs H for the debts. However the adjudicator said that the mistakes which led to Mrs H still being pursued for the debt, after she had agreed a settlement and paid the agreed sum, were avoidable and had led to a great deal of distress and inconvenience. He considered that an offer made by the bank of a payment of £500 was fair and reasonable.

Mrs H said she was extremely disappointed with the adjudicator's view. She said she had not been given time to seek legal advice before being coerced into signing to agree to act as guarantor. She had believed what she had been told by the bank about being able to transfer the guarantee.

She said she had not received any offer of £500 from the bank. She did not accept that £500 was reasonable for the inefficient way the bank had handled matters over a five year period. It had caused untold stress. For a period of a year, after the debt collectors failed to hand over the money she had paid to the bank, her family had been bombarded by calls from debt collectors.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Like the adjudicator I cannot see that there are adequate grounds for me to criticise the bank's actions at the point when Mrs H agreed to act as guarantor. She signed to say she had been advised to take legal advice and that she had been given the security document and had adequate time to read and consider it. If that was not the case she should not have signed. When Mrs H says that she had been asked to act as guarantor initially because the

other director's credit rating was not high enough, I might have expected her to realise that there could be problems if they wished to transfer the guarantee to that director in future. The bank was not obliged to agree to that transfer. The bank could have communicated better with Mrs H about its decision to refuse that, but that would not have changed the situation that she remained liable for the debt.

However it was completely unacceptable that the bank instructed debt collectors to pursue Mrs H again several months after the matter had been settled, and that contacts continued for months thereafter. Although when Mrs H complained the bank did accept that the debt had been settled, she had not received any substantive response after four months. The offer letter mentioned by the adjudicator may have been a draft which was not sent, as by then Mrs H had complained to us.

I cannot reasonably award compensation to cover the Bank's actions over the whole period as Mrs H suggests, when the bank's significant failings occurred only in the latter part.

I consider the offer of £500 in respect of the distress and inconvenience caused by those is fair and reasonable.

my final decision

My final decision is that I uphold the complaint. In full and final settlement, I order the Royal Bank of Scotland plc to pay Mrs H £500.

Hilary Bainbridge
ombudsman