

## **complaint**

Mr and Mrs C complain National Westminster Bank Plc (NatWest) mis-sold a packaged bank account to Mrs C on her sole account and later to Mr and Mrs C on their joint account.

## **background**

Mrs C upgraded her free account to a packaged bank account in April 2005. She says she wanted a loan in April 2005 and was told she'd need to take out a packaged bank account to get the loan she wanted.

Mrs C downgraded to a free account in May 2012. Around the same time, Mr and Mrs C's joint account was upgraded to the same packaged bank account Mrs C had held. They say they were told Mrs C still needed a packaged bank account but that it would be better if this was the joint account because they'd both be able to use the benefits.

I issued a provisional decision upholding the complaint in part. The findings section of that provisional decision is attached and forms part of this decision.

In summary, I concluded it was most likely Mr and Mrs C knew they didn't need to have a packaged bank account. But I didn't think NatWest had given enough information about the benefits. I thought if it had, Mrs C would've taken the packaged bank account out at the same time as her loan in order to receive a preferential interest rate on it. So I was minded to require NatWest to put her in the position as if she'd received the preferential rate.

NatWest responded saying that although it didn't agree with my findings, it'd be prepared to make an offer in line with them. But Mr and Mrs C responded saying they didn't agree with my provisional decision. I've read and considered all of their points. In summary, they said:

- They knew they didn't have to have a packaged bank account in normal circumstances but Mrs C was told she had to have one in order to get the loan she wanted. She didn't question this because she didn't want to do anything that might mean she wouldn't be offered the loan.
- Although Mrs C had taken out a loan with a free account before, a packaged bank account wasn't stated to be one of the criteria for the loan at that time.
- The reason the loan was taken out 10 days before the packaged bank account was that it was going through the approval process and needed to be approved before the bank account could be opened. But they were effectively opened in conjunction with each other in the same conversation. It therefore doesn't make sense to say if everything had happened as it should Mrs C would've taken the products out at the same time – as far as she was concerned they were taken at the same time.
- Mrs C would never have taken out a packaged bank account if she'd known she had a choice. None of the benefits were attractive to her. In particular, travel insurance should always be tailored to the individual's need and there were seven years where Mrs C didn't rely on this.
- They only started to use benefits in May 2012 after meeting with NatWest when they decided they may as well use some of the benefits if they were paying for them. And even then, although they registered mobile phones, they didn't update these and they've since been told this cover wasn't comprehensive.
- If NatWest sold Mrs C the packaged bank account to benefit from preferential interest rates this was never discussed with her and she didn't get this benefit anyway.

- The fact there's an element of doubt about what they'd have done differently if things had happened as they should means it should be resolved in their favour.
- NatWest should have records of the conversations it had had with them, in particular the conversation in May 2012. It didn't mention the option of cancelling the packaged bank account to them. And because the loan was ongoing they thought they still needed a packaged bank account.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've thought again about everything Mr and Mrs C have said about the sale and how it happened. I appreciate their strength of feeling on this. And I accept Mrs C might've been told a packaged bank account was the only way to get the loan she wanted and so took the two products out at the same time. But as I set out in my provisional decision, I need to decide what I think is most likely to have happened.

Mr and Mrs C say the loan and packaged bank account were agreed on the same day and the account just wasn't upgraded until the loan went through – 10 days later. But NatWest's records suggest the loan went through 10 days before the account was upgraded. And in my experience, when these two products are sold in connection with each other at the same time, a preferential interest rate is usually applied to the loan. That didn't happen in this case.

Taking everything into account, I still think it's most likely Mrs C knew she could get the loan she wanted without the packaged bank account. And that she took the loan out and went away to think about the packaged bank account she'd been offered.

I note Mr and Mrs C's additional comments about why the benefits wouldn't have been attractive to them. But packaged bank accounts are rarely tailored to individuals. Just because some of the benefits wouldn't have been attractive doesn't mean the account was mis-sold. I still think there were benefits that attracted Mrs C initially – in particular the travel insurance. And not making a claim doesn't mean they weren't relying on the cover. The policy would still have been there if something had gone wrong. And as I said in my provisional decision, I haven't been provided with any evidence that it was unsuitable for them.

I concluded in my provisional decision that it's most likely NatWest didn't give Mrs C enough information about the preferential loan rate benefit. I also acknowledged it may not have even told her this was a benefit. But this isn't enough for me to say Mr and Mrs C should be put in the position as if Mrs C had never upgraded. I need to decide what I think is most likely to have happened if everything had happened as it should. And for the reasons set out in my provisional decision, I still think Mrs C would've taken out the packaged bank account. I just think she would've done so at the same time as the loan.

In terms of the mobile phone cover which was added later on, the fact they registered phones for this still suggests to me that this was a benefit that appealed to them – even if they didn't keep the registration up to date. And it was for them to decide whether the cover was suitable for their needs.

It's unfortunate NatWest doesn't have a record of the conversation it had with Mr and Mrs C in May 2012. But I don't think it had to discuss the option of cancelling the packaged bank account. As far as it was concerned, Mrs C was happy with the account and it was just suggesting a way for them to both use the benefits without paying any extra money.

### **fair compensation**

I require NatWest to put Mrs C back in the position as if she'd upgraded her account at the same time she took out her April 2005 loan. So it should pay Mrs C:

- The difference between the interest she actually paid on her April 2005 loan and the interest she would've paid if she'd received the preferential rate the packaged bank account offered.
- Interest on each of the above amounts from the date the interest was paid to the date it's refunded at a rate of 8% simple per year\*.

\*I understand NatWest is required to deduct basic rate tax from this part of the compensation. Whether Mrs C needs to take any further action will depend on her financial circumstances. More information about the tax position can be found on our website.

Mrs C should refer back to NatWest if she's unsure of the approach it's taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

### **my final decision**

My final decision is that I uphold Mr and Mrs C's complaint in part. I require National Westminster Bank Plc to pay Mrs C fair compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 2 October 2015.

Laura Layfield  
**ombudsman**

## EXTRACT FROM PROVISIONAL DECISION

### my provisional findings

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'm planning to partly uphold Mr and Mrs C's complaint. I think they knew they didn't need to have a packaged bank account but I don't think NatWest gave them enough information about the benefits.

Mrs C says she was told she needed to take out the packaged bank account to get the loan she wanted. NatWest says she wouldn't have been told this and the loan was taken out 10 days before the packaged bank account.

Unfortunately there aren't any recordings or notes of the conversations that were had. But this doesn't mean the account was mis-sold. Where the evidence is inconsistent – as it is here – I have to decide what I think is most likely to have happened.

I understand Mr and Mrs C will be unhappy with my decision on this point. But I think it's most likely Mrs C knew at the time that she could get the loan she wanted without the packaged bank account. I've set out my reasons below.

Mrs C's loan went through 10 days before the upgrade. This doesn't necessarily mean Mrs C knew she could have the loan without the packaged bank account. And I accept both products were probably discussed in the same conversation. But taking everything into account – including the fact Mrs C had taken a loan with a free account before – I think Mrs C decided to go ahead with the loan application and went away to think about the packaged bank account. I think she then decided a short time later to go ahead with the upgrade knowing she didn't have to.

Although I note what Mr and Mrs C have said about why the benefits wouldn't have been attractive to them, I think Mrs C upgraded to the packaged bank account because she was attracted to a number of the benefits. At the time it seems the main benefits were travel insurance, accidental death cover, extended warranty cover and preferential loan rates.

Mr and Mrs C say they take out standalone travel insurance because it allows them to tailor it to their needs. But I haven't been provided with anything that suggests the travel policy included with the packaged bank account was unsuitable for them. And NatWest says Mr C contacted the travel insurance provider in July 2012 which suggests to me that they were relying on this cover.

At the point Mr and Mrs C opened a joint account I accept it probably was suggested to them that they make the joint account a packaged bank account and downgrade Mrs C's sole account so they could both use the benefits. I think it was reasonable for NatWest to suggest this as it would cost the same but would offer more cover.

Again there isn't a recording or notes of the conversation. But as set out above, I think Mr and Mrs C were aware that they didn't need a packaged bank account. And there isn't enough for me to say they were wrongly told in this conversation that they needed one of the accounts to be a packaged bank account.

By this time new benefits had been added to the account and the cost had increased. Although I accept not all of these benefits were useful to Mr and Mrs C, I think they were still interested in some of the original benefits. And the fact they registered their mobile phones for the mobile phone insurance shortly after this upgrade suggests they knew about, and were interested in, some of the additional benefits.

I therefore think Mr and Mrs C knew they had a choice about taking out the packaged bank accounts. And I think they agreed to take them out because they were attracted to some of the benefits. However, I think it's likely they weren't told everything they should have been about the benefits.

This type of packaged bank account offered preferential loan rates. Although Mrs C went on to benefit from these later, her original April 2005 loan went through 10 days before the upgrade. It seems she therefore didn't receive a preferential interest rate on it.

In the circumstances I don't think she was told enough about this benefit. Either she wasn't told it was a benefit at all or it wasn't made clear to her that she would need to have the packaged bank account at the time of the loan application. Otherwise it seems unlikely that she'd have taken the loan out and then a short time later decided to take the packaged bank account out. I say this because it seems her interest rate would have been reduced by 1% APR with the packaged bank account which would have been a noticeable saving.

I think if Mrs C had been given all the information she would have taken the packaged bank account out at the same time as the loan and so benefitted from a preferential interest rate on it.

I don't think any of the other information Mr and Mrs C may not have known would have caused them to do anything different.