

complaint

Mr N complains that a personal loan was mis-sold to him by The Royal Bank of Scotland Plc ('RBS') as he was told it would guarantee his mortgage application, which was subsequently declined. Mr N said the mortgage was declined on incorrect information about his credit card debt.

background

Mr N wanted to buy a house and obtained an agreement in principle to borrow from RBS. He approached RBS again with a property in mind but was offered a lower amount and advised to consolidate credit card debt to a personal loan.

RBS said that between the two applications Mr N had transferred some debt to his credit cards and this affected the bank's assessment of the affordability of the loan.

Mr N consolidated debts into a personal loan and submitted a full application for a mortgage. However, as a consequence of information on Mr N's credit report, RBS further reduced the amount it would lend, and this was insufficient for Mr N to purchase the property.

The adjudicator recommended that the complaint be upheld in part, saying RBS had not guaranteed the mortgage application would be accepted if Mr N took the personal loan, and it was entitled to decline his application on the credit search results. He recommended acceptance of the refund of interest offered by RBS together with compensation of £150 for the distress and inconvenience suffered by Mr N.

RBS did not agree with payment of £150 compensation, saying that it had treated Mr N fairly and the refund of interest was a reasonable offer in the circumstances. Mr N said he had previously accepted an offer of £500 compensation together with refund of interest.

my findings

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

RBS said Mr N was fully informed when he took out the loan that the mortgage was not guaranteed, and I have seen nothing to suggest otherwise. It remained open to RBS to assess the affordability of the loan on full application and it did so in accordance with its usual lending criteria. The bank has pointed out that its credit assessment includes actual credit card debt as well as exposure to credit debt by means of credit limits. I do not consider that RBS acted in error in declining the application based on the information it received and I consider its decision to be reasonable in the circumstances.

I can see that by taking out the personal loan at RBS's suggestion Mr N was worse off than when his debt was held on a credit card at a 0% promotional rate, and his overall debt position was not improved. I am pleased that RBS has offered to refund the additional interest he incurred and I consider this to be a reasonable offer in the circumstances.

Because I have reached the view that RBS was not at fault in its handling of the personal loan or mortgage application I do not find it responsible for the costs Mr N incurred in the frustrated property purchase, or that it should pay him additional compensation for the distress and frustration he has suffered.

I have noted that the adjudicator has acknowledged that he misinterpreted the offer from RBS, but I consider the offer to refund the interest is fair.

my final decision

My final decision is that I uphold the complaint in part and require The Royal Bank of Scotland Plc to pay Mr N interest of £931.74.

Andrew Fraser
ombudsman