

## **complaint**

Mr G and Mr H complain about the way that The Royal Bank of Scotland plc has dealt with their partnership's banking arrangements. In particular, they complain that fees were incorrectly added to the debt, that the interest rate charged by the bank was increased and that the bank sought repayment of the debt. They are being helped with their complaint by a representative.

## **background**

One of the partnership's loans from Royal Bank of Scotland expired in June 2009 and was renewed but the interest rate was increased and fees were applied. Another of the partnership's loans expired in June 2011 but was not repaid. Royal Bank of Scotland then relied on the cross guarantees that had been provided which put all of the loans into default.

A consolidation loan was provided to the partnership but that was at a higher rate of interest.

The bank sent a default notice to the partnership in July 2012 and it rejected the partnership's repayment proposal because the payments were too low. Royal Bank of Scotland told the partnership of its concerns about the value of the secured properties in November 2012 and asked to see evidence that the properties were properly insured. When no such evidence was provided, it arranged insurance cover and added the cost of the insurance to the partnership's debt.

Mr G and Mr H complained to Royal Bank of Scotland about the way that it had dealt with their banking arrangements. They were not satisfied with its response so complained to this service. The adjudicator did not recommend that this complaint should be upheld. He concluded that the partnership had not been incorrectly charged, that the bank was entitled to seek recovery of the debt owed and that the bank had not acted inappropriately.

The partnership's representative has responded in detail and says, in summary, that Royal Bank of Scotland could have refinanced the overdue loan but instead chose to cancel all other loans and consolidate the loans at a much higher rate and applied fees which the partnership could not afford. The representative also says that the bank accepted the partnership's partial repayment offer only three days before the Tomlinson Report was made public but that the portfolio value had dropped considerably and it has not been able to raise finance at the required level to repay the offered amount.

## **my findings**

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

It is a commercial decision for a bank to decide whether or not it wants to lend, or to continue to lend, to a customer and - if it does - on the terms that it applies to those loans. This service does not normally interfere with a bank's legitimate commercial decisions. I am not persuaded that it would be fair or reasonable for me to interfere with Royal Bank of Scotland's decision to apply a higher interest rate to the partnership's debt when they were renewed or consolidated.

Royal Bank of Scotland was not required to accept the partnership's reduced repayment offer and I am satisfied that the bank has shown that it gave appropriate consideration to the

proposal. I also consider that Royal Bank of Scotland has provided evidence to show that it acted fairly and reasonably in 2012 when the partnership did not repay the amounts that became due by the due date. I am not persuaded that there is enough evidence to show that the bank acted incorrectly when it offered to accept the partnership's settlement proposals shortly before the publication of the Tomlinson Report. However, the partnership was unable to make the payments that it had offered because the value of its property investments had fallen.

The bank was entitled to require the properties to be insured. The partnership was unable to provide evidence that the properties were appropriately insured, despite being requested to do so. I therefore do not consider that it was unfair or unreasonable for Royal Bank of Scotland to arrange for the properties to be insured and to deduct the cost of the insurance from the partnership's account.

I am not persuaded that there is enough evidence to show that Royal Bank of Scotland has acted incorrectly in its dealings with the partnership's banking arrangements. I therefore do not consider that it would be fair or reasonable for me to require it to refinance the partnership's debts at a lower interest rate or to pay any compensation to any of the partners for any distress that they have been caused.

### **my final decision**

For these reasons, my decision is that I do not uphold Mr G and Mr H's complaint.

Jarrold Hastings  
**ombudsman**