

complaint

Mr D took out a loan with The Royal Bank of Scotland Plc to fund the construction of houses on land he owned. He complains that RBS delayed the construction and sale of the houses causing him increased fees and interest and other problems.

background

Mr D took out loans from RBS to fund the construction of several properties on land he owned. He originally got planning permission for one house but later got permission to build several houses.

Mr D says RBS caused delays when the project expanded from one to several houses; when the construction costs increased and they limited his draw down of funds; and when they interfered with the selling of the houses.

Mr D says the delays led to increased interest charges and inflated arrangement fees. He says RBS shouldn't have lent him the money in the first place as they knew their loan was never going to be enough to cover the costs of the construction.

Mr D says representatives of the bank fraudulently changed his VAT payment arrangements. And he says one representative of RBS physically assaulted him.

RBS say they lent him money based on the business case Mr D put forward. They say they withheld draw down funds when he didn't have the right planning permission and when the costs he was claiming were outside the original budget.

RBS say that they supported Mr D with the selling of the property when they thought he was struggling with it.

RBS deny any fraudulent activity or that their representative assaulted Mr D.

my findings

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

Firstly I must explain that the issues of fraudulent activity and physical assault are not ones that this service would deal with, as they are criminal allegations which are better dealt with by the courts. So I won't comment any further on those.

For the rest of Mr D's complaint, I know this will come as a disappointment to him, but I agree with our adjudicator's view of 12 August 2015. I won't repeat everything the adjudicator said but I can summarise my opinion as follows.

I think RBS lent Mr D money in good faith on a construction proposition he had put together and was responsible for. RBS appointed monitoring surveyors and made a commercial decision on their recommendation. This decision will've taken into account the likely sales value of the houses as well as the costs. As a construction project it appears it had a reasonable chance of success. I don't think Mr D would've started on it if he hadn't thought it would succeed. It seems that RBS also thought it would succeed and I don't think they were irresponsible to lend to him.

In my view RBS were entitled to stop draw down of funds when planning permission was outstanding, and when the costs being claimed were outside the original budget.

I think RBS were trying to help when they withheld funds on the marketing of the houses which wasn't going well while Mr D was doing it himself.

Mr D extended his loan several times over several years while the construction was underway. RBS was entitled to charge fees for the loan re-arrangements. As the loan was eventually over £1,500,000, I don't think the fees of £77,000 in total at just over 5% were unreasonable in such circumstances. RBS have said to us that they will waive part of or their entire fee if Mr D continues to be in a poor financial position once the last of his houses has been sold. And I think this is a reasonable position for RBS to take.

So, I've sympathy for Mr D as his construction project didn't go the way he would've wished. But I don't think RBS did anything wrong. It follows that I can't uphold his complaint.

my final decision

For the reasons given above I don't uphold Mr D's complaint against The Royal bank of Scotland Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 4 January 2016.

Richard Hill
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