

complaint

Mrs G complains about the Royal Bank of Scotland Plc ("RBS") in respect of its handling of her debt. She wants RBS to allow her to consolidate her debt into her mortgage.

background

Mrs G held a mortgage with RBS and also had unsecured borrowing from RBS, including an overdraft, personal loan, and credit card.

In late 2017, Mrs G lost her job. Over time Mrs G's debt had increased, so that by early 2018 her unsecured debt stood at around £31,500.

Mrs G was in touch with RBS, discussing her debt.

In January 2018 she provided evidence of her income and expenditure. This demonstrated that she was unable to sustain or reduce her debt.

RBS decided to issue a notice of default in relation to her personal loan and overdraft.

RBS left Mrs G's credit card in place, and this continued to incur interest and charges.

Mrs G sought advice and, with her advisors, wrote to RBS in February 2018. She stated that she had considerable equity in her property and asked that she be allowed to re-mortgage, to allow the bank to secure her debts, and to give her a lower interest rate on her debts.

RBS did not respond to this letter.

In March 2018, Mrs G and her advisors sent a further letter, asking for a response.

In April 2018, after the default notice had expired, RBS decided to close Mrs G's loan and current accounts. It had not responded to her letters at that point.

Mrs G complained to RBS. She felt that RBS's delay in responding to her letter had caused her accounts to be closed before her application could be considered.

RB responded to Mrs G in May 2018, over several letters. RBS acknowledged that it had received but not responded to her application. RBS sent Mrs G some flowers as an apology.

Under a separate letter, RBS defended its decision to have applied interest to the accounts.

And finally, when Mrs G advised that the flowers she had received were damaged, RBS offered Mrs G £30.80 compensation in lieu of the flowers.

Mrs G was not happy with this and contacted us. She felt that she had been treated unfairly and had been denied the opportunity to have her application considered in the context of open accounts.

One of our investigators has looked into this matter and set out her view to the parties.

Over this time, Mrs G's credit card had remained open and accruing interest.

Following discussion with our service, a settlement of the complaint was reached. It was agreed that RBS would refund to Mrs G all interest charged to her credit card after it received her income and expenditure form in January 2018. It was also agreed that Mrs G would be permitted to apply for her debts to be consolidated with her mortgage, and that RBS would pay to Mrs G £200 compensation for not responding to her letters.

RBS paid £200 compensation to Mrs G in December 2018. Mrs G then corresponded with various parts of RBS, seeking to have her application to consolidate her debt considered.

Mrs G received emails which appeared to pre-judge her application, and which suggested that she would not be allowed to consolidate her debt with RBS under any circumstances.

Mrs G therefore contacted us, and asked that we issue a final decision.

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 understand Mrs G's frustration and upset at the situation she found herself in. Her debts became very large and she clearly wanted to avoid her accounts being closed. In suggesting a change to her mortgage it is apparent that Mrs G felt her situation could be significantly improved with some co-operation from RBS.

I accept that it was poor service for RBS to not respond to her letters in February and March 2018. I appreciate that it must have significantly added to Mrs G anxieties to have approached her bank with a proposal and then to have two months of uncertainty while waiting for a response which was not forthcoming. In this time, she continued to incur interest charges on her credit card, and her accounts were then closed after a default, changing the context of her application to re-mortgage to what she considered an even less favourable one.

I do, however, have to acknowledge that by the time Mrs G and her advisors approached RBS with a proposal, Mrs G was in very serious debt and RBS had already made significant steps towards closing her accounts and enforcing the debts, having already issued a default notice in January 2018.

I must also make clear that RBS have not at any time been obliged to lend, or to extend its lending, to Mrs G. Businesses are entitled to decide whether to lend to any customer, based on their own criteria and commercial view.

For these reasons, I previously indicated to the parties that I did not consider it likely that the outcome of Mrs G's application was affected by the delay in RBS processing her request, but I thought that the delay had caused Mrs G significant distress and inconvenience.

I also considered that RBS should have stopped applying interest to Mrs G's credit card account at the point when it became aware that she could not afford to reduce her debt. For this reason, I recommended that RBS refund any interest charged after it had received Mrs G's income and expenditure information, in January 2018.

RBS agreed to consider an application for debt consolidation from Mrs G, but as it did so it stressed that it would not be under any obligation to extend lending to Mrs G.

Mrs G has now provided evidence which suggests that the decision not to extend lending to her was made prior to her applying.

Whilst I understand that RBS was under no obligation to agree Mrs G's application, I do not think it was consistent with the spirit of the settlement to have allowed an application which would be pointless.

For this reason, I consider that RBS should pay a further £100 compensation for distress and inconvenience to Mrs G, on top of any compensation already paid.

I also make formal my view that RBS should refund any interest charged to Mrs G after 23 January 2013.

I realise that Mrs G would like me to direct RBS to accept her application to remortgage, as this would have the most profound effect on her circumstances. I cannot, however, direct a business to lend to any individual where it does not wish to.

I realise that this decision will be disappointing to Mrs G, but I hope that I have explained my reasons and the limitations in helping her situation.

my final decision

For the reasons set out above I uphold Mrs G's complaint and direct The Royal Bank of Scotland Plc to:

- Refund to Mrs G any interest charged to her after 23 January 2018. Such refund may be offset against Mrs G's debt; and
- To pay Mrs G £300 compensation for her distress and inconvenience (including the £200 compensation already paid to her, but not including the £30.80 paid in lieu of flowers).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 1 September 2019.

Laura Garvin-Smith
ombudsman