

complaint

Miss R complains about the way the bank has treated her over the years, first in pursuing for the repayment of a mortgage held in her ex-partner's name and then selling her two loans which were unaffordable.

background

Miss R's ex-partner took out a mortgage with NatWest to buy the property in which she had lived for some years. Their relationship subsequently ended but Miss R remained in the property and agreed to make repayments to the bank. This was, seemingly, to prevent NatWest taking court action to sell the property in order to cover both the mortgage and the other debts that Miss R's ex-partner had incurred.

In 2008 Miss R took out two, £5,000 loans with NatWest. One was used to repay the debt remaining on the mortgage and approximately £2,200 was used to clear her overdraft. The remaining money was used to pay day-to-day living expenses and the loan repayments when she lost her job some months later.

Miss R complains about the way the loans were sold. She says she could not afford the monthly repayments given her income at the time. Also that the bank should have advised her to take out Payment Protection Insurance (PPI) in connection with the loans as this would have given her some much-needed security which could have been called upon when she lost her job.

In 2011 the bank started court proceedings in order to reclaim the money owed under the two loans. However, both parties subsequently agreed to allow this service to look at Miss R's complaint. The bank also, at that point, offered to write off in excess of £8,000 of the debt Miss R owed via her two loans and overdraft. This left £6,665.50 remaining to be repaid and which the bank agreed to accept in affordable instalments from Miss R.

The adjudicator considered the bank's offer to be fair and reasonable given the circumstances, but Miss R did not agree.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, and while I am sympathetic to the situation in which Miss R finds herself, I have come to the same overall conclusion as the adjudicator for broadly the same reasons.

The matters leading to Miss R's complaint have been going on for a considerable number of years. I note she is concerned about the way the bank pursued her for repayment of the mortgage and the interest that accrued on that debt while regular repayments were not being made. However, the fact remains the debt was taken out in her ex-partner's name at, I assume, an agreed rate of interest and the contractual payments were not met for some years. It seems that is why the debt increased.

I cannot consider a complaint about the original sale as such would have to be brought by Miss R's ex-partner. And I cannot reasonably conclude that the bank should have suspended interest while the debt remained outstanding. Furthermore, it seems the bank could, at some point, have taken court action in order to secure possession of the property

and then sold it in order to recover the money owed. However, it instead agreed to accept repayments from Miss R and the regular weekly payments that started in 2004 exceeded the interest being added. Accordingly, the debt decreased after this formal arrangement was reached and met – so were, I assume, affordable – by Miss R each month for some considerable time. Overall, I am not persuaded the bank acted unfairly towards Miss R in respect to the mortgage secured on the property where she lived and, presumably, wished to stay.

I do, however, have concerns about the sale of the two loans in 2008. That is because I am not entirely convinced the bank correctly assessed Miss R's ability to maintain payments to both loans given her income and existing expenditure. I say this with the understanding that although one of the loans was used to repay the mortgage and the other, in part, to repay her overdraft, they were both originally intended to pay for home improvements. And, if they had been used for that purpose, Miss R would have had to find sufficient money each month to repay both the two loans *and* the mortgage with only a limited income and already being in debt on her current account by more than £2,000.

Having said this, the fact remains Miss R did ultimately use the majority of the loans to repay existing debts. And, with this in mind, it does seem one of the loans would likely have been affordable, given that it cost £69.96 per month, and was used to repay the mortgage to which Miss R had previously been paying a total of £100 per month. I do note, however, that the loan interest was charged at 10.9% APR compared to the interest on the mortgage, which I understand was charged at 2.5% over the bank's base rate and stood at just 4.5% the previous November. Having said this, repaying the mortgage meant that the bank released its legal charge over the property which was, arguably, of benefit to Miss R. This and the lower monthly repayments afforded by the loan, might have made the higher interest rate acceptable to Miss R. Although I accept I am applying the benefit of hindsight here and Miss R did not likely consider this at the time of sale.

It seems generally accepted that Miss R did not sign the documentation that relates to her refusing to take PPI on the two loans. However, the costs associated with those policies would likely have been prohibitively expensive. And it seems possible, given her circumstances, that Miss R may not have been eligible to claim when she lost her job in 2008 – just a few months after taking out the loans. Given this I am not persuaded I can fairly require the bank to make any award in respect of this part of Miss R's complaint.

I understand the bank proposes to reduce the total amount Miss R owes to £6,665.50 and no further interest or charges will be added. So the bank is, in effect, offering to write off one of the loans as well as some of the overdraft debt. It has also offered to look again at Miss R's income and expenditure in order to come to a mutually acceptable repayment plan. Whether the bank wishes to formalise any such agreement with a Tomlin order – as has previously been proposed – will be a matter for the bank to decide and Miss R to agree.

For my part, I consider the bank's proposals to be fair and reasonable given the overall circumstances that led to Miss R's complaint.

my final decision

My decision is that the offer made by National Westminster Bank Plc is fair and reasonable. If Miss R accepts my decision the bank should reduce her total debt to £6,665.50.

Ruth Lewis
ombudsman