

complaint

This complaint is about a consolidation loan taken out in 2009. Miss A says that National Westminster Bank Plc – (NatWest) – advised her wrongly by telling her the loan had more chance of being approved if she gave the reason for the loan as a holiday or home improvements rather than consolidation of existing debts

background

In January 2009, Miss A borrowed £6,000 from her local branch of NatWest. The loan was used to clear her NatWest credit card debt, reduce her NatWest overdraft from around £3,000 to £1,000, and clear some other bills with other creditors. The overdraft facility and credit card limit were not withdrawn, and within a few months, Miss A had used them again to accrue further debt, which she could not afford to repay.

A request to the bank for a payment break was apparently refused, and after a number of months during which she struggled to meet her various commitments, Miss A entered into a debt relief order covering the bank's debts (now in the hands of a third party) as well as money owed to various household creditors.

Miss A complains that the consolidation loan was not affordable, and that she was not provided with good advice. She now says her credit profile has been damaged.

my findings

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

the lending

When considering whether to lend money, banks have a duty to assess whether customers will be able to afford to repay it. Balanced against that, where a person has enjoyed the benefit of money that they have borrowed, they will generally be considered liable to repay it.

When those duties and principles are applied to the approval of the consolidation loan, I am reasonably satisfied that neither Miss A nor NatWest could be deemed to have acted irresponsibly. In my view, the loan was, by any reasonable assessment, affordable at the time it was granted. Regardless of what was recorded on the application form as the loan purpose, the loan was used to consolidate existing debt, with the intention of making it easier for Miss A to manage.

Miss A was under no obligation to continue using the credit card and overdraft facilities after taking out the loan. She could have chosen not to, and instead instruct the bank to remove them. In that context, it is difficult for me to conclude that Miss A's wider financial difficulties, and her current situation, are a consequence of NatWest's decision to grant the consolidation loan.

I explained earlier that we generally take the view that where a person has enjoyed the benefit of money that they have borrowed, they will generally be considered liable to repay it. I see no reason to depart from that general principle in this case. In any event, however, that issue has been largely overtaken by subsequent events.

debt recovery action

The starting point is that banks are entitled to take reasonable steps to recover money that is owed to them. Provided they do not do anything that might be deemed a breach of their obligations to deal with customers sympathetically and positively, any agreement they seek to reach with a customer, including whether to suspend interest, refund charges, cancel regular payment instructions, and waive some or all of the debt, are generally a matter for a banks' commercial judgement, something with which we generally do not interfere.

It is accepted that what is considered "sympathetic" and/or "positive" may be subject to differing interpretations, depending on the point of view of the parties involved, and the extent to which changes of circumstances occurred through events within customers' overall control, as opposed to being imposed on them. Furthermore, NatWest has to balance its need to adhere to the provisions of the Lending Code with its legitimate entitlement to recover monies owed to it.

Having considered the circumstances of this case, I am not persuaded that NatWest has breached any duty to Miss A, such that would warrant paying her compensation. It does not follow that because one creditor agrees a particular concession, then another has to do the same. Each is entitled to exercise its own judgement. As I understand it, NatWest agreed in late 2010 not to pursue Miss A for the balances outstanding on the consolidation loan and overdraft, but to write them off entirely. In my view, this is a substantial concession, and is more than enough to meet NatWest's obligation to treat Miss A positively and sympathetically.

I understand Miss A believes that if NatWest had been helpful sooner than that, for example by granting her a payment break when she asked for it at the beginning of 2010, she could have avoided having to go into a debt relief order. I cannot say with any certainty whether that might have been the case, but on balance, I think it unlikely that the situation is quite that clear-cut. I say this because the evidence from her representative leads me to conclude that Miss A's financial difficulties were much wider than just the debt owed to NatWest. Even if the bank had allowed her a payment break at the beginning of 2010, it seems unlikely to me that she would not still have found herself in much the same overall position later that year.

my final decision

For the reasons set out above, my final decision is that I do not uphold this complaint, and make no order or award against National Westminster Bank Plc.

Jeff Parrington
ombudsman