

complaint

Ms A complains that The Royal Bank of Scotland Plc was irresponsible in the size of the overdraft facility it was prepared to offer to her business, and that it charged an unreasonable rate of interest.

background

Ms A's business has banked with Royal Bank of Scotland since the 1990s. A £5,000 overdraft facility for the business was first agreed in 2007/8. Over the following years the overdraft facility was increased, and in October 2010 a £15,000 facility was agreed by the bank. Ms A says that this was irresponsible lending because it did not consider whether she could repay this debt, and she had asked for a loan rather than an increased overdraft. She also says that the bank charged an excessive rate of interest on the overdraft.

Our adjudicator did not recommend that the complaint should be upheld. He concluded, in summary, that Ms A had requested the increase in the business debt, and that the bank had carried out its normal assessment programme of that request. Her loan application was rejected by that assessment, but an increased overdraft had been agreed. The bank says that it was told at the time that Ms A was expecting a substantial capital sum to be received, which would be used to reduce the overdraft debt. He noted that the account was operated satisfactorily for two years after the overdraft facility was agreed, without any indication of financial difficulties, and concluded that the lending was not irresponsible. He also considered the interest rate being charged reasonable, and explained that the rate Ms A referred to was that on any borrowing above the agreed overdraft limit.

Ms A has not accepted the adjudicator's conclusions.

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, I have reached the same conclusion as the adjudicator, and for broadly the same reasons.

In 2010 Ms A asked the bank to lend her business more money, so that she could pay essential expenses. She says she asked for a loan, and would have been able to meet repayments on that. This was declined by the bank's credit scoring process. The bank then offered an increased overdraft – taking into consideration, it says, that a capital reduction would be made in due course from expected money. It was open to Ms A at that time to decide not to accept the increased overdraft limit if she felt it did not meet her needs.

I note that there was no difficulty in maintaining the account within the agreed (increased) overdraft limit over the next two years. This reinforces my view that the increased overdraft facility was affordable, and therefore not irresponsible lending.

I am also satisfied that the interest rate actually charged on the overdraft was not the penalty rate referred to by Ms A. This confusion was caused by an error in a letter sent to Ms A in December 2012.

my final decision

My decision is that I do not uphold this complaint.

Malcolm Rogers
ombudsman