

complaint

N, a limited company, complains about the way its secured loan accounts and overdraft facility have been handled by National Westminster Bank Plc ("NatWest").

Mrs N, one of the company directors, is dealing with the complaint on N's behalf. Her main concerns are, in summary, that:

- NatWest unreasonably declined N's request for a capital repayment holiday on the secured lending, while also reducing the limit on its overdraft facility;
- NatWest failed to respond to request for information about the accounts including a request for title deeds, which led to N missing out on business opportunities; and
- Since management of its accounts has transferred to a more distant location, N hasn't received a good level of service from the nominated relationship manager.

background

NatWest transferred management of N's accounts to a centrally-managed specialist department in 2012. So from then on, N no longer had access to a local relationship manager as it had done previously.

Following a review of N's accounts in September 2016, NatWest decided it wasn't willing to maintain the existing £40,000 borrowing on its overdraft facility. It asked N for further information, including its year-end accounts for 2015 and 2016, to assess the possible options. If this wasn't received by the end of November, it said it could start reducing the limit by £2,000 a month from January 2017.

NatWest then began reducing N's overdraft limit in 2017. In July, and with the limit now down to £28,000, Mrs N asked NatWest to stop and reinstate it to at least £30,000. NatWest declined, on the basis that it hadn't received the information requested in September 2016. But it said if that was provided, it would reassess things. It did however suspend the limit reduction the following month, on the basis that N had instructed a new accountant with a view to providing the necessary information.

In November 2017, Mrs N asked NatWest to allow N a capital repayment holiday on its secured loans for the payments due in that and the following month. But this was declined too. The bank said that to assess this request, it would need the same information about N's finances that was still outstanding.

That prompted Mrs N to raise a complaint. She was concerned that the payment holiday wouldn't be in place in time. More widely, she pointed to several issues stemming back to the change in relationship manager. She was unhappy that N's overdraft facility had been cut so drastically and that ultimately it could be removed altogether. She also said that N had missed out on business opportunities due to delays in NatWest responding to requests for redemption figures and for deeds to be sent to its solicitors.

NatWest sent Mrs N its final response letter in December 2017. It said it couldn't assess the payment holiday request without N's accounts as requested, which had also led to it reducing the overdraft limit. But in the absence of a payment holiday, it said it should've considered reducing the payments it was collecting instead (given that N was actually paying more than the minimum monthly payment). It also apologised for failing to correctly address Mrs N's requests for redemption quotations and title deeds. So to put things right, it offered compensation of £500.

Mrs N didn't accept the bank's offer. She referred N's complaint to us and it was reviewed by one of our investigators. He didn't think that NatWest had done anything wrong in requesting the information it had and, when this wasn't received, reducing N's overdraft and declining the payment holiday request. NatWest was still willing to reconsider things on receipt of the information and he thought that was reasonable. And for the accepted delays in dealing with N's requests, he thought £500 was fair compensation.

Mrs N didn't accept our investigator's view. She thought too much weight was being placed on the failure to provide the information NatWest had requested. While Mrs N said that a payment holiday was no longer needed – she'd used her personal pension to tide them over – she wanted the accounts to be moved back to a local relationship manager. And she stressed that N had missed out on valuable business opportunities due to NatWest's errors. She also said that she was still waiting for confirmation of the amounts paid and owed in respect of the secured loans.

With no resolution, N's complaint was passed to me to decide.

my provisional decision

I issued a provisional decision to both parties last month. I explained that while I agreed that some things had gone wrong, NatWest's offer represented a fair way to put things right.

On NatWest's decision to reduce N's overdraft limit, I said:

NatWest has explained its reasons for reviewing the account and the level of borrowing given to N. I think that course of action was reasonable in light of those circumstances. The terms and conditions of the account allow the bank to review the facility – in fact they say it will be reviewed at least once a year – and to reduce it.

NatWest didn't immediately reduce N's overdraft limit. It asked N for certain information about its financial position, so that it could discuss the up-to-date position and alternative options for the borrowing. Its letter to N of 6 September 2016 listed the required information. On receipt of that information it would review things again. But if that information wasn't received by 30 November 2016, it may look to reduce the overdraft limit by £2,000 from January 2017.

I don't think NatWest's request for information was unreasonable. In order to be able to consider what options it could offer to support N (be that leaving things as they were or restructuring the borrowing), it needed to assess N's financial situation. The information it requested – such as the last two years of N's accounts – would be appropriate components of such a review and wouldn't have been onerous for N to provide.

NatWest didn't receive the information it requested. It sent a reminder of what was outstanding to N on 23 November 2016 which also set out the possible next steps.

As NatWest didn't receive the requested information, it proceeded to reduce N's overdraft limit by £2,000 a month from January 2017. In light of the above, I don't think that was unreasonable. I know Mrs N was concerned to see that the overdraft was being gradually reduced to zero. But the bank had offered to look at alternative options with N, and unless and until it had the information it asked for, I don't think it could make an informed decision as to what these might be. So I don't think this was unreasonable.

I understand from what Mrs N says that there were issues between N and its accountant and that they may have contributed to the inability to provide the necessary information to NatWest. It's regrettable if N was let down by a trusted third party, but I can't see that NatWest ought to have been aware of these issues at the time. When it was on notice that N was switching accountants in summer 2017 – meaning that the necessary information might be forthcoming – it suspended further reductions until December 2017 to give N more time. That seems reasonable in the circumstances.

Nothing after December 2017 is covered by the scope of this complaint, so I can't consider anything that happened from this time onwards.

On NatWest's response to N's request for a payment holiday, I said:

N asked NatWest for a capital repayment holiday on its two loans in November 2017. It wanted a two-month break from paying the full amount due, raising concerns about falling into default. It's worth noting here that the nature of N's business is seasonal, and so turnover might well be expected to drop at that time of year.

NatWest declined N's request. It said it needed the information requested in respect of the overdraft review to assess this request too.

From what I've seen so far, I don't think NatWest acted fairly here. While it may have needed some information from N to consider the payment holiday request, I don't think it was necessary to require the extensive information it had asked for as part of the ongoing review. N was concerned about the possibility of defaulting on its secured loan commitments – putting its business at risk, given the security was its premises – and wanted a temporary, short-term measure to help.

It's hard for me to say whether NatWest would've granted the request had it properly considered it, as I think it should've done. But at the very least, I think it could've allowed some sort of reduced payment for the two months as N requested. I say this for the reasons NatWest identified in its final response letter – that as N had already been paying more than the contractual monthly payment required on its loans, an obvious option would've been to at least revert to that lower amount for a period of time to give N the breathing space it sought – if not allowing interest only payments altogether.

I note that NatWest changed its stance on this after the complaint was referred to us. It says N agreed to a rescheduling of payments – such that it was “overpaying” in order to settle one of the loans earlier than was originally agreed. I can see that N did agree to that rescheduling in summer 2016. But that seems to have been a mutually accepted resolution in response to concerns over the bank’s administration of the account. It remains the case that the monthly payments due under the original agreement were lower than those that N had been paying. In light of this and what I’ve said about N’s circumstances above, I think it would’ve been reasonable for the bank to show some flexibility here and use its discretion to allow (or at least consider) a reduced payment in the short term.

This meant that N was put to some trouble in seeking alternative assistance during a period of difficulty. Mrs N has advised that in the end, she used funds from her own personal pension to tide N over. While I can’t compensate Mrs N in her personal capacity for any impact – financial or otherwise – that this might have had on her, I have borne in mind the inconvenience caused to N in this respect.

On NatWest’s response to N’s request for information, I said:

Mrs N is unhappy that NatWest didn’t deal promptly with requests for redemption figures and title deeds made in 2017. She says this caused N to miss out on good business opportunities.

NatWest accepts that it ought to have dealt with these requests better. Limited information is available as to exactly what caused the delays. But the bank accepts that it ought to have been able to respond to both requests more quickly than it did. From what Mrs N and NatWest have provided, I understand it took around two months for a redemption quotation to be provided and over three months for the deeds to be provided to N’s solicitors. During that time, I can see Mrs N was having to chase up the bank (albeit within correspondence on other ongoing matters).

So I think NatWest made errors here too and that this put N to some further inconvenience as a result.

Mrs N argues that this also led N to miss out on potentially lucrative business opportunities. But she’s not given us any information as to the impact these delays had on any particular transactions, despite being encouraged to do so. I don’t know exactly what N’s intentions were once they received either the deeds or the redemption figures, whether it (or any other parties involved) would necessarily have seen any plans through to fruition or – even if they did proceed – what these would’ve yielded.

So it seems to me that all I could reasonably compensate N for here is the inconvenience of having to delay or abort the exploration of these potential opportunities, rather than for any financial losses.

On a related issue, I understand Mrs N was concerned to learn that N wouldn’t be able to proceed with a sale of any assets held by the bank as security without a further valuation being completed. But I don’t think that was unreasonable. It’s common for any lender to want to review what the remaining security will be before agreeing to release any of it. And it’s reasonable for such a valuation to be carried out by a surveyor of its choice.

And on the matter of compensating N for what had happened, I said:

NatWest has already offered N compensation of £500 for the inconvenience caused by its errors. From what I've seen so far, I think that is fair compensation to reflect:

- The inconvenience caused by NatWest's refusal to consider accepting reduced payments, in lieu of a full payment holiday, given that N was paying above the contractual minimum payment agreed at the outset. N was required to seek, consider and arrange alternative finance elsewhere. I'm also mindful that Mrs N was chasing NatWest for figures in relation to 'overpaid' amounts over this period, with a view to utilising that credit while N experienced reduced turnover – which weren't provided.
- The additional inconvenience caused by delays in dealing with N's requests for title deeds and redemption statements. This required further effort from N to get the necessary information. This also meant that N was hampered in exploring potential business opportunities.

I don't think N has suffered any financial losses as a result of NatWest's actions. It would always have been required to make the payments due on the loans at some point, and doing so when they fell due cost it less than deferring them would've done. And as noted above, I don't think I can reasonably require NatWest to pay compensation for any potential losses in respect of the business opportunities Mrs N has referred to. There are simply too many uncertainties for me to say what might otherwise have happened with these.

Mrs N also wanted NatWest to return the managements of the accounts to a local relationship manager in light of these issues. But I don't think that's something I could reasonably require it to do. In line with its own processes, the accounts were being handled by a central management team. I don't think it's by virtue of the fact they were being handled by that team that these issues arose – and much of the delay and decision-making weren't actually within the control of the relationship manager at whom Mrs N directs responsibility for the issues anyway. So I don't think I could reasonably require NatWest to reappoint a local relationship manager for N.

Lastly, I noted that Mrs N had concerns with matters arising since the complaint was made and while it had been with our service, including NatWest's response to a request for information about the payments made towards the loans and in connection with closure of accounts. As those issues arose after the bank issued its final response letter, I said they weren't things I could consider within the scope of this complaint. So if Mrs N retained any concerns about anything NatWest had (or hadn't) done since its final response to this complaint, I suggested that she might raise those with it separately.

NatWest accepted my provisional decision, but N didn't. Mrs N said she didn't think the £500 compensation went anywhere near far enough to make up for the time she'd spent on these issues, the stress it had caused her and for the business opportunities it had cost N. She queried why NatWest hadn't assigned N a new relationship manager given the number of complaints raised. And she said that N was still awaiting information about the payments it had been making to the account.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint, including Mrs N's response to my provisional decision.

I've reviewed Mrs N's further comments, but she's not provided any new information or made any new arguments to those I'd already considered before reaching my provisional decision. So while I've thought about things afresh in light of her comments, I see no reason to depart from the conclusions I'd reached previously. This decision therefore confirms my provisional findings, as set out above.

my final decision

National Westminster Bank Plc has already offered to pay £500 to settle the complaint and I think that is fair in all the circumstances.

So my decision is that National Westminster Bank Plc must pay N £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 13 January 2020.

Ben Jennings
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