

complaint

Mr R and Miss S complain that National Westminster Bank Plc (NatWest) lent money to them which was unaffordable.

background

Mr R says NatWest allowed him an overdraft on two accounts including a joint account with Miss S and gave him a loan, all of which was unaffordable. Mr R says he had existing debts before the lending of about £45,000 and was on a debt management plan and also had a County Court Judgement (CCJ) recorded against him. He says it should have been obvious the lending was unaffordable and would like the balances on all three accounts written off as well as compensation and a refund of interest and charges.

NatWest says it assessed the applications and credit scored them. It says it took into account Mr R's income and any interest and charges were correctly applied in line with the account terms and conditions.

Mr R and Miss S brought their complaint to us and our investigator upheld it in part. In summary the investigator thought the overdraft applications were made within a day of each other and that NatWest ought to have carried out further checks. But the investigator also thought Mr R had inflated his income and didn't think it fair to order NatWest to write off the debt as Mr R had benefited from the money. The investigator made a recommendation that NatWest refund interest from the time of the complaint and pay interest on that amount as well as pay £100 compensation.

NatWest agreed with the recommendation but thought a default should be recorded. Mr R didn't agree with that view.

The investigator looked again at the complaint and came to a different conclusion. In summary he thought Mr R was largely unaffected by the previous debt plan and didn't think Mr R's gambling was an issue at the time of lending. So he thought the lending was affordable and had been assessed but that NatWest should have defaulted the loan account and personal account in May 2019.

The investigator recommended that NatWest place both loan and personal account in recoveries and refund any interest and charges from May 2019 and that NatWest agree a repayment plan. He also recommended any default be backdated to that date.

Mr R and Miss S don't accept that view. In summary Mr R says NatWest should write off the account balances as it didn't consider the impact of the CCJ and should have looked again at the accounts when he started gambling. He also says the overdraft amounts were disproportionate when his previous debt problems were considered. Mr R says NatWest should have considered the impact on his children and says he doesn't want the joint account defaulted which NatWest says will happen if the other accounts are.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've come to a similar overall view as the investigator in his second view. I realise Mr R and Miss S will be disappointed by my decision.

There is no need for me to go into great detail into the background of this complaint as its well known to the parties. I have looked at the applications Mr R made for credit and I'm satisfied that they were affordable and were appropriately credit scored by NatWest. I appreciate that Mr R had a debt management plan in place and had a CCJ recorded against him. But I also think that the debt management plan meant that although Mr R had debts they were being paid off via that route, the effect was that his present income was largely unaffected.

I appreciate that Mr R says he has a gambling problem and that NatWest should have recognised that. But I agree with the investigator that at the time of the applications that there didn't appear to be excessive gambling transactions and the account appeared well run. I accept Mr R says that when the gambling did become excessive then NatWest should have reconsidered the position. But I don't think NatWest could have done anything at that stage and also has to consider that ultimately its Mr R's decision on how he spends.

I'm satisfied that NatWest ought to have defaulted the loan account and personal account within three to six months of the obvious difficulties. But has now fairly agreed to do so. I appreciate that Mr R says he doesn't want the joint account to be passed to NatWest recoveries department. But whilst I'm sorry to disappoint Mr R that is not a decision I can fairly interfere in as I think such matters are for NatWest to decide upon when exercising its commercial judgement.

I'm also satisfied that Mr R had the benefit of the money. So even if I thought that lending was unaffordable I would not have ordered that NatWest write of the amount of borrowing. I make that clear to Mr R as I can see that is what he would have liked to have happened.

Overall I think that the investigator has proposed a fair and reasonable recommendation in the circumstances of this complaint including what I think is a fair and reasonable amount of compensation. I realise Mr R and Miss S will remain unhappy with my decision and for the reasons I have explained that by accepting my decision there may be implications for their joint account.

my final decision

My final decision is that I uphold this complaint in part.

I order National Westminster Bank Plc to refund charges and interest on the loan account and Mr R's personal account from May 2019 and to backdate the date of default to that date and pay 8%* simple interest on that amount. And agree a repayment plan without interest or charges with Mr R and pay £100 compensation.

*If Her Majesty's Inland Revenue and Customers require you to deduct tax from the interest then a certificate showing this deduction should be given to Mr R.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R and Miss S to accept or reject my decision before 26 March 2020.

David Singh
ombudsman