

## **complaint**

Mr and Mrs R complain that National Westminster Bank Plc mis-sold them a loan.

## **background**

In early 2013 Mr and Mrs R tried to increase their mortgage to settle some of their other debts, but their application was refused by NatWest. Shortly afterwards NatWest contacted them about taking out a loan to consolidate some of their debts. Mr and Mrs R say that the bank put them under pressure with frequent phone calls to get them to consider a loan. Eventually they visited their local NatWest branch and took out a loan to clear their overdraft and several other debts.

After about six months Mr and Mrs R found they could not afford to pay the loan, in addition to their other outgoings and missed several payments. The loan was passed to the bank's collections department. Mr and Mrs R approached a debt management charity to help them deal with their financial situation and the bank has now agreed to accept lower monthly payments, to be reviewed after six months.

They complained to the bank and it offered £50 compensation to reflect the distress caused by the number of calls made prior to them taking out the loan. They brought their complaint to this service.

The adjudicator has recommended that this complaint be upheld. He considered that the effect of the loan was to increase Mr and Mrs R's monthly outgoings and so put them at risk of defaulting. Mr and Mrs R's child receives disability payments and the adjudicator considered the bank should not have included those as part of their income when calculating if they could afford the loan.

While recognising NatWest's subsequent positive and sympathetic response to Mr and Mrs R's financial problems he considered it should refund all the interest paid by Mr and Mrs R. That refund should be used to reduce the outstanding balance of the loan. He also recommended that it continue to suspend interest on the loan. NatWest did not agree and said that Mr and Mrs R met its affordability criteria when the loan was taken out.

## **my findings**

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

Mr and Mrs R found themselves in a difficult financial situation and sought to increase their mortgage as means of solving their problems. Having refused this request NatWest offered to help them by providing a consolidated loan. The bank accepts it made a significant number of phone calls to persuade Mr and Mrs R to visit the local branch to explore taking out a loan. When Mr and Mrs R visited the branch their income and expenditure details were taken and fed into the bank's system for evaluating affordability. They were told that the loan was affordable. They say they thought the monthly repayment figure quoted by the bank official included their mortgage payment too. They took out the loan, but struggled to make the repayments.

Some eight months later when the debt management charity reviewed their financial position it came to a different conclusion to that reached by the bank. I understand there were no

significant changes to the family's finances that would have had a material impact in that eight month period. I consider one of the reasons different conclusions were reached can be explained by the bank's figures taking into account the disability allowance for Mr and Mrs R's child, but not reflecting the additional expense of looking after the child.

Mr and Mrs R say they felt pressurised to take out the loan and signed the agreement without fully understanding what the overall cost would be.

The bank has been helpful in dealing with Mr and Mrs R's financial plight since they visited the debt management charity, but it has maintained that they met the bank's affordability criteria when the loan was taken out. However, when assembling the figures I do not consider the full family expenditure was properly explored. I think the figures fed into the bank's system needed a more robust review before a loan offer was made.

Although comparisons are not straightforward it is worth noting that Mr and Mrs R's monthly outgoings appear to have increased after they took the loan. And they were already in some difficulty before they took out the loan – so it's difficult to see how the new loan would have helped.

Having had the benefit of the debt management charity's figures I consider it clear that Mr and Mrs R were not able to afford the additional loan on the terms offered by the bank. I agree with the adjudicator that the bank should refund the interest paid by Mr and Mrs R and use that to reduce the loan amount.

Following the involvement of the debt management charity I understand that the bank has accepted lower monthly payments in order to assist Mr and Mrs R and this arrangement is to be reviewed after six months. I would remind the bank of its obligation to deal with Mr and Mrs R positively and sympathetically in helping them resolve their financial difficulties. If Mr and Mrs R do not consider the bank to have met its obligations in the future they may be entitled to bring a fresh complaint.

### **my final decision**

My final decision is that I uphold this complaint. I direct National Westminster Bank plc to repay all the interest paid by Mr and Mrs R on the loan and to use that money to reduce the loan.

Ivor Graham  
**ombudsman**