

complaint

A complaint has been brought on behalf of “P” a limited company about the borrowing provided to it by National Westminster Bank Plc.

background

NatWest provided P with a £10,000 overdraft facility and took a personal guarantee from its directors for £25,000. When P asked that the borrowing be increased to £20,000, NatWest refused. It said that there was no trading income and that the business plan was not being met. The account was moved to collections and then recoveries and the personal guarantee is being relied upon. P said that there had always been an agreement that it would borrow more. It had spent money on research and development as planned and NatWest knew it would not have trading income for an extended period.

The adjudicator did not recommend that the complaint be upheld. She said that it was NatWest’s decision whether to lend more money. And it had not committed to do so.

P did not agree and it said, in summary, that a broad-brush approach had been taken to its complaint. Its business plan had showed significant spending on research and development. But NatWest had criticised it for making this spending. It said that NatWest had failed to understand its business and that it would have no product to sell for a longer period. It took borrowing on overdraft as it could not make loan repayments.

my findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

The first thing I need to decide is whether NatWest made any binding commitment to provide more money to P. I understand why P might have expected further borrowing as its directors gave a guarantee for more than the initial overdraft. And I don’t doubt that there was further investment in a new product that P wanted to make. But, the only borrowing limit that NatWest then gave was £10,000. So, I can’t see NatWest made any further commitment.

There’s a dispute about what was said at the time. But the overdraft agreed was by its nature on demand and would be reviewed. And it’s usual to expect such an overdraft to fluctuate – the alternative being a loan with appropriate repayment terms. If P had requested £20,000, as it says, then that was not agreed. And it’s not unreasonable to think that any further borrowing must have been subject to some sort of review.

I’m afraid that even if there had been some misunderstanding about the way the cash flow was interpreted that doesn’t change the outcome here. NatWest was entitled to make a commercial decision when the new application was made. I can’t require it to lend P any more.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 11 April 2016.

Michael Crewe
ombudsman