

The complaint

A company, which I'll refer to as L, complains that National Westminster Bank Plc didn't inform it that the Enterprise Finance Guarantee (EFG) scheme had come to an end in 2020.

What happened

In August 2018, L took out a ten-year commercial loan for £160,000 from NatWest. The agreement said that the interest rate would be fixed at 5.14% for the first three years, after which there would be a variable rate of 4.32% over the base rate for the remainder of the loan duration.

The loan was supported by an EFG, under a government-backed scheme that provided guarantees for lenders in order to promote lending to businesses that might not meet normal security requirements.

The interest rate on the loan remained fixed until August 2021 then became variable, as specified in the loan agreement.

In 2023, L complained to NatWest, saying that the company wasn't informed in 2020 that the bank would no longer be issuing new loans under the EFG scheme. Unhappy with the bank's response, L referred its complaint to us.

Our investigator looked at the evidence and reached the following conclusions, in summary:

- In 2020 the government temporarily suspended the EFG scheme to new applicants. This didn't affect L's EFG loan agreement, or any other customers' EFG loans taken out before 2020. Customers with existing EFG loans would continue as normal as long as they were maintained on the existing terms.
- L's EFG loan would therefore have simply continued to August 2028 in accordance with the original loan agreement.
- NatWest wasn't obliged to inform L of any changes to the product that would or wouldn't be offered to a new applicant. The investigator couldn't see anything in the loan agreement that created such an obligation. She therefore thought NatWest had made no error in this regard.
- The bank had offered L £200 compensation for inconvenience for some communication errors that occurred after the main events in the complaint. The investigator thought this was a fair and reasonable offer.

L disagreed with the investigator. Its directors made the following points, in summary:

- The product has been stopped for existing customers, so the government guarantee becomes invalid. So why is the quarterly premium for the guarantee still being charged?

- If any product is closed or replaced for existing customers, it's the bank's responsibility to inform them.
- L tried to fix its rate in late 2021, but the bank wasn't able to do it because of the EFG suspension. This took away the customer's freedom, forcing it to pay a high interest rate.

What I've decided – and why

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

Having done that, I've reached the same conclusions as the investigator and for largely the same reasons.

I've looked carefully at the 2018 loan agreement. I can see nothing in agreement that required the bank to notify the customer about changes in the EFG scheme's availability to new applicants. Nor am I aware of any regulation or rule that obliged the bank to do that.

I therefore conclude that NatWest wasn't obliged to inform L that the bank would no longer be issuing new loans under the EFG scheme.

L's directors believe the EFG loans have been "*stopped for existing customers*", but I don't think that's an accurate description of what has happened. It's true that existing customers can't apply for a new EFG loan. But their existing EFG loans are unaffected – the loans can continue, and the original terms still apply.

In L's case, the EFG loan can continue until 2028 as originally agreed. That includes the government guarantee to the lender. In other words, the government guarantee on the existing EFG loan hasn't become invalid. So I don't think it's unfair or unreasonable that L is still required to pay the guarantee premium, as set out in the loan agreement.

I understand that in 2021, when L requested a further fixed rate period on its loan, the bank said that it wouldn't be possible to set up a new EFG loan because the scheme was closed to new applications. I don't think this was the result of NatWest not telling L about the closure in 2020. But in any event, for reasons I've already given, I don't think the bank was under any obligation to inform L about the closure in 2020.

My conclusion is that NatWest didn't act unfairly or unreasonably when it didn't inform L in 2020 that the bank would no longer be issuing new loans under the EFG scheme

I agree with the investigator that the bank's offer of £200 for inconvenience caused by other communication errors is fair and reasonable.

My final decision

The bank has already made an offer to pay £200 to settle the complaint and I think this offer is fair in all the circumstances. My final decision is therefore that National Westminster Bank Plc should pay £200 to L.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 9 April 2024.

Colin Brown
Ombudsman