

The complaint

Mr J is complaining about National Westminster Bank Plc because he's dissatisfied with how his loan was handled following Covid payment breaks. He says NatWest extended the term of the loan without his agreement and that refinance agreements reached with the bank were never actioned.

What happened

In January 2020, Mr J took a loan with NatWest. The original agreement is no longer available but I understand he borrowed £7,500. And that this was to be repaid at £194.04 per month for 74 months, ending March 2026. The APR was 20.9% and the total repayable £11,709.

A loan statement provided by NatWest shows Mr J made the first two payments in February and March 2020. He then missed the payments due in April, May and June 2020, before making the payment due in July 2020, and then missing three further payments in August, September and October 2020. The missed payments were part of a Covid payment break agreed in advance.

In February 2021, NatWest issued a refinance agreement. This set the amount owed at £8,000 with a reduced APR of 3.9% and required Mr J to make payments of £176.61 over 49 months. This meant the loan would be due to be repaid around March 2025. Mr J says he was happy with this arrangement and returned his acceptance. Unfortunately, NatWest says it didn't receive this and the refinance terms weren't put in place.

Instead, in May 2021, NatWest extended the term of the loan. Details of this arrangement haven't been provided but I understand this extended the term beyond the original end date of March 2026. Mr J says this was done without his knowledge, whereas NatWest says he would have received information explaining the available options and it would only have extended the term after he confirmed his agreement.

In November 2021, Mr J complained to because the refinance agreement proposed in February of that year hadn't been actioned. NatWest responded on 20 December 2021 to explain this wasn't done because it hadn't received Mr J's acceptance. It also confirmed it would send Mr J details of an alternative refinance agreement for him to consider.

Unfortunately, neither party has been able to provide a copy of the actual proposal put to Mr J at this time. But NatWest has provided a screenshot indicating it proposed he make payments of £190.69 starting in January 2022 for a period of 40 months, which would mean the loan was repaid by April 2025.

Mr J says he didn't accept this immediately because it was less favourable than the terms offered in February 2021. He says he spoke to someone at NatWest who told him they'd review things to see if it could match those terms and get back to him. He says he received no further contact and became exasperated, not contacting NatWest about this again for some time.

Mr J called NatWest again in September 2022 and a recording of this call has been provided. He outlined a number of concerns, including the problems he was having with the loan. The agent took his details for a manager to call him back but Mr J says he didn't hear anything after that.

Some time later, Mr J made a further complaint to NatWest and it responded in December 2023. In respect of the term of the loan being extended in May 2021, it said this was an automated process that couldn't have been completed without Mr J's acceptance. But it did recognise some failures in the service provided and paid £50 to his account by way of compensation.

My provisional decision

After the complaint was referred to me, I issued my provisional decision setting out why I thought it should be upheld. My reasons were as follows:

Before going any further, I note Mr J has previously expressed concern that his credit file was adversely affected as a result of the Covid payments breaks in 2020. The information he's provided appears to show NatWest told him his credit score wouldn't be affected and the credit report he's since provided shows no late or missed payments were reported during this period. So it doesn't appear NatWest has done anything wrong on this point, but it has told us it's willing to review the situation if Mr J shows it what he saw to make him believe otherwise and make any amendments to his credit file that might be necessary. If he does still believe the status of his account wasn't correctly reported to the credit reference agencies, I'd encourage him to contact NatWest with evidence of this in the first instance.

I'll now turn to the issue of how the terms of the loan have been changed as a result of the Covid breaks.

As previously explained by the investigator, I'm unable to consider a complaint about the original refinance terms offered in February 2021 not being actioned. This is because NatWest answered this point in its final response dated 20 December 2021. The response informed Mr J of his right to refer the matter to us for consideration and that this would need to be done within six months. As Mr J didn't contact us within that timeframe, the rules under which we operate mean we can't now consider this aspect of his complaint.

This notwithstanding, further refinance terms were offered in December 2021 and these, along with everything that's happened since, haven't been the subject of a previous complaint. It also doesn't appear that NatWest addressed Mr J's concerns about the term of the loan being extended without his agreement before its response to his December 2023 complaint. These are therefore issues I can consider and address.

I note NatWest says it would have needed Mr J's agreement to extend the term of the loan and that it provided him a list of options to choose from and I think that would have been a reasonable approach. I do therefore find it slightly concerning that it's unable to provide evidence of this correspondence or that Mr J confirmed his acceptance. I think it's understandable that NatWest's inability to provide this information or a copy of the original loan agreement have seriously undermined his confidence in how his loan has been administered.

In principle, I don't necessarily think it would be unreasonable for NatWest to extend the term of the loan to allow Mr J to make up payments missed due to the Covid repayment breaks. But it seems clear that the bank was also open to other options.

The new terms from December 2021 are more favourable than the original loan. They involve a slightly reduced monthly payment and, if payments were maintained, would mean the loan was repaid in April 2025, 11 months earlier than would have been the case under the original agreement. Mr J says he didn't accept these terms straight away because NatWest told him it would review the situation to see if it could match the even more favourable terms offered in February 2021. NatWest hasn't been able to provide evidence of these conversations but I've no reason to doubt that Mr J believed this is what was happening. I think it stands to reason that he'd accept this option over and above the current situation, under which it appears the term of the loan has been extended beyond the original end date. And that the only reason he wouldn't have accepted it at the time was that he thought something better was about to be offered.

It's unfortunate that Mr J didn't pursue this matter more forcefully before the end of 2023, but I can see that he did try to contact NatWest to discuss things, most notably in September 2022. But it appears he either didn't get a response or the responses he received were unhelpful. In the circumstances, I can understand how he might have become exasperated and felt like giving up.

If NatWest had reverted to Mr J at the start of 2022 to explain that it couldn't offer more favourable terms than it offered in December 2021, I think it's likely he'd have accepted those terms at the time. Or he'd have made a complaint, including contacting us if necessary, the outcome of which would likely have been that the terms offered were a fair and reasonable response to the difficulties he'd faced. At which time, I can't realistically envisage any outcome other than those terms being accepted.

On balance, if NatWest had responded promptly and appropriately to Mr J's situation from December 2021, I think it's likely the loan would now be on the terms offered at that time and that he should be put into the position he'd now be in if that had happened.

It's for these reasons that I'm currently proposing to uphold Mr J's complaint.

The responses to my provisional decision

Mr J didn't accept my provisional decision, saying he was verbally offered similar terms to those proposed in February 2021 and that the settlement should be based on this. He also believes he should receive additional compensation for his distress and inconvenience.

NatWest accepted my provisional decision without further comment.

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 so, my findings haven't changed from those I set out previously. I haven't necessarily commented on every single point raised. I've concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to

the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

For the reasons explained in my provisional decision, I'm not able to consider a complaint about any failure to refinance the loan on the terms offered in February 2021. Instead, I'm suggesting it should be refinanced on the terms offered in December 2021.

The only evidence available from the time is a record from NatWest's system to indicate a new arrangement was offered with payments of £190.49 over 40 months to start in January 2022. Mr J recalls that he was verbally offered terms that were very similar to those offered in February, but he's also said previously that no one ever got back to him to confirm this, so it doesn't seem that offer was actually made.

From the evidence provided, it appears the only offer on the table in December 2021 was that outlined here. If Mr J had understood that NatWest wasn't going to offer anything more favourable, I think he'd most likely have accepted those terms and the settlement I've proposed is intended to return him to the position he'd now be in if that had happened.

With regard to compensation, the outcome I proposed does take into account that Mr J has been paying contractual payments above £190.49 since January 2022. On top of this, I proposed compensation of £250 (£50 of which was paid by NatWest before the complaint was referred to us) for the unnecessary distress and inconvenience caused. I note Mr J believes this is insufficient but I don't think the amount he's suggesting is in keeping with our normal approach to compensation and I remain of the view that a total payment of £250 is fair and reasonable.

Putting things right

The principal aim of any award I make is to return Mr J to the position he'd now be in but for NatWest's errors. As outlined above, I think he'd have ultimately accepted the terms offered in December 2021 and that NatWest should therefore take the following steps to put things right:

- restructure the loan to mirror the terms offered in December 2021, under which 40 payments of £190.69 were due starting in January 2022, and provide Mr J with a new agreement confirming these terms;
- treat all payments made by Mr J since January 2022 as if they had been paid under the amended agreement; and
- in months where Mr J has made contractual payments (not overpayments) exceeding £190.69, refund the difference between the two figures with simple interest at 8% per year from the date of each payment to the date compensation is paid. Interest is to compensate Mr J for not having access to his money in the interim.

I also think the situation outlined, involving various service failings compounded by an inability to provide documentation that should be available, has caused Mr J a degree of distress and inconvenience. The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same situation can impact different people in different ways. But in the circumstances of this case, I think he should receive further compensation of £200. This is in addition to the £50 already received and any compensation for additional payments outlined above.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I uphold this complaint. Subject to Mr J's acceptance, National Westminster Bank Plc should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 17 December 2024.

James Biles
Ombudsman