

The complaint

Mr B complains that National Westminster Bank Plc is overcharging the interest on his loan and recording arrears when he has made the payments.

What happened

Mr B says that NatWest is charging him more than the agreed monthly interest rate on his loan. He says he has been making payments upfront for amounts above the required monthly amount, but his account is being put into arrears. He also says NatWest complaints team hasn't provided the service it should have.

NatWest issued a final response dated 23 August 2023. It said that Mr B's monthly payments were due on the 28th of each month and if these weren't made then arrears interest would be charged. It said that all interest on Mr B's account had been charged in line with the terms and conditions. Regarding the arrears on Mr B's account, it explained that Mr B was making irregular payments and his account was going into arrears but the arrears were then cleared. It confirmed that at the date of the letter there weren't any arrears on Mr B's account.

Mr B wasn't satisfied with NatWest's response and referred his complaint to this service.

Our investigator didn't uphold this complaint. She noted that Mr B's account was in a three-month deferral from March 2022, with repayments suspended for April, May and June 2022; with contractual repayments recommencing on 28 July 2022. She said this meant that arrears built on his account. She also noted that the account terms stated the interest that would be charged if the loan was repaid early, or overpayments made. She didn't find that the information provided suggested that NatWest had made an error in its interest calculations or treated Mr B unfairly.

Mr B didn't agree with our investigator's view. He said he was paying more interest than was set out in his contract and his account went into arrears even though he made his payments.

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.

Mr B entered into a loan agreement with NatWest in December 2021. The loan was for £17,450 and due to be repaid over 54 months, with payment of around £482 being made on the 28th of each month.

I have looked at Mr B's loan statement and he was making the contractual payments from December 2021 to March 2022. Payments are not then made in the following three months and NatWest has explained that Mr B was offered a three-month deferral in March 2022. While this was an agreed payment break arrears will have still accrued on his account during that period.

Mr B was due to restart his payment on 28 July 2022 and I can see he did this. He made the contractual payment as well as an additional payment. He also made the following month's contractual payment and an additional payment. However, following this Mr B's payments were no longer made on the payment date and instead Mr B made irregular payments towards his account.

Mr B's account terms and conditions set out that if the loan is repaid early or overpayments are made then additional interest will be charged. NatWest has said that Mr B initially made an overpayment in September 2022, and I can see from his loan statement that he made several payments in October 2022. These resulted in overpayments. Due to the overpayments, Mr B has been charged part payment interest. As it is set out in the terms and conditions that additional interest will be charged for overpayments, I do not find I can say that NatWest has done anything wrong by charging this.

I note Mr B's comment that he isn't being charged the interest rate set out in his agreement, but the part payment interest is an additional charge and NatWest has confirmed that this hasn't changed Mr B's contractual rate of interest.

So, while I understand that Mr B is unhappy about the interest he has been charged, I do not find in this case I have enough evidence to say that NatWest has done anything wrong or treated Mr B unfairly. I note Mr B's comments about arrears on his account but I also note that NatWest explained the situation in its final response letter and confirmed that there were no arrears at that time. If Mr B is concerned about the current status of his account and payments, then he should discuss this with NatWest and set up his regular contractual payments to prevent further issues arising.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 4 March 2024.

Jane Archer
Ombudsman