

## **The complaint**

Mr B and Ms S complain that National Westminster Bank Plc declined to refinance their joint overdraft into a personal loan.

## **What happened**

Mr B and Ms S have a joint current account with NatWest. It has an overdraft limit of £5,500, and lately the account balance has been overdrawn by almost this amount. They complain that they are being charged about £150 a month in interest, and they feel trapped. They say they can't afford to pay off the overdraft balance all at once, or reduce it by much each month.

In 2022, they asked NatWest to refinance their overdraft as a personal loan with a fixed interest rate. They pointed out that they have had loans with NatWest before, and have paid them back. But NatWest told them that they did not meet its lending criteria. It suggested some alternative solutions, and recommended that they consult a debt advice charity. But it warned them that a debt management plan would affect their credit files.

Mr B and Ms S are adamant that they do not want their credit scores to be affected. Being dissatisfied with NatWest's answer, they brought this complaint to our service. They said that they had spoken to NatWest's financial difficulties team, and that in that phone call they had been told to ask the complaints team for a personal loan, but then the complaints team had repeated that they could not have a loan. They said they had been told this was because they live abroad.

One of our investigators considered this complaint, but she did not uphold it. She said that the bank had done nothing wrong. As Mr B and Ms S had not met NatWest's lending criteria, it had not been obliged to give them a loan. There had been nothing in their account history to suggest to NatWest that they were in financial difficulty, since they had often cleared the overdraft balance or significantly reduced it, and had a healthy and regular income. The bank had been entitled to charge them interest and charges and had done so fairly. She suggested that if they are in difficulty, then they should try to agree an affordable repayment plan with the bank.

Mr B and Ms S did not accept that opinion. They re-iterated that a call handler at NatWest had encouraged them to apply for a loan. They said that they hadn't asked for the overdraft in the first place, but that it had been unilaterally imposed on them in 2011 when NatWest had closed their charge card account. They argued that living in their country of residence had not disqualified them from previous borrowing, and so it was unfair that the criteria had changed so as to disqualify them now. They said that the fact they had been regularly paying a large amount of interest should indicate that living abroad did not make them a risky proposition. They asked for an ombudsman to consider their case.

## **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, I do not uphold it. I will explain why.

Before I do that, I must say that the events of 2011 are too long ago for me to consider them under the rules which set out my jurisdiction. So in this decision, I am only considering the events of 2022 and 2023.

NatWest is entitled to review and change its lending criteria from time to time. So just because Mr B and Ms S have had loans with that bank before, does not mean that they automatically qualify for one now. I think they realise that already, and are just complaining about how this has affected them. I think they have made a sensible point about the fact that they have been able to keep up payments on their overdraft notwithstanding that they live abroad, and in support of that argument I can see that they have generally been keeping within the overdraft limit (and on the rare occasions when they did not, they only exceeded it by a small amount and they promptly brought the balance back below the limit again, usually the next day). However, it is still for NatWest to decide for itself what its lending criteria are, based on its commercial judgement, and these do not have to be limited to affordability, but can also include other matters concerning its risk appetite.

I don't know whether, or to what extent, their country of residence was a factor in the bank's decision, but I have no reason to doubt what Mr B and Ms S have said they were told about that by the bank's call handlers. I note that country of residence is not a protected characteristic under the Equality Act 2010 (not that they have argued that it is, but that is really the only basis under which I could otherwise have considered interfering). I think that is a matter which the bank is entitled to have regard to, and to give such weight as it chooses.

I don't think it's likely that the bank told Mr B or Ms S that they should apply to its complaints team for a loan, and I think this might be an error of recollection or perhaps a misunderstanding, since complaints teams don't make lending decisions. But assuming that the general gist of that conversation is accurate (and just that an application to some other department is what was meant), the lending decision would have been a matter for the department to whom the application was to be made; the call handler they spoke to was presumably trying to be helpful, but did not have authority to actually make that decision. Again, I think that Mr B and Ms S already know that too, and they are not suggesting otherwise, but I mention it here to explain that the decision whether to give them a personal loan still had to be made in accordance with the bank's lending criteria and not on the basis of advice by someone who was not otherwise involved in that decision.

Turning to what should happen now, the real difficulty in this case is that Mr B and Ms S insist (understandably) that they do not want their credit files to be affected. Unfortunately, that rules out most of the available solutions, such as suspending interest and charges for a period (which I might otherwise have told NatWest to consider doing).

One solution which would not involve NatWest applying negative markers to their credit files is the one it recommended in its final response letter: reducing the overdraft limit incrementally over time (for example, by £500 a month) and keeping the balance within the adjusted limit until it has been brought down to a suitable level. I suggest they consider that.

I am unable to say that NatWest has failed in its duty to deal with Mr B's and Ms S's financial difficulties positively and sympathetically, because trying to avoid doing anything that would affect their credit files ties the bank's hands to a considerable degree. The bank did suggest one way to help, and also pointed them towards debt advice charities who could give them independent advice; I think that is as much as it could do in the circumstances.

**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 Mr B and Ms S to accept or reject my decision before 9 November 2023.

Richard Wood  
**Ombudsman**