

The complaint

A company which I'll call 'C' complains that National Westminster Bank Plc ('NatWest') changed the interest rate on a loan proposal, after the property valuation that the loan was to be secured against was lowered.

The complaint is brought on C's behalf by their director Mr S.

What happened

C held a business account with NatWest and wanted to arrange a loan to repurchase company shares from one of their directors.

C told us:

- In August 2022, they approached the bank to arrange finance and were told that to do this, they'd have to take out a secured loan against their property.
- They were initially quoted a 10-year loan for £220,000 at a fixed rate of 6.47%, based on an estimated property valuation of £300,000 and were happy to proceed on this basis.
- In late September, the bank's valuers undertook a valuation and NatWest increased the rate C would be paying on the loan to 8.69%. This was unfair as they weren't told that the rate was dependent on the property valuation and could increase.
- They believe the Bank of England Base Rate ('BBR') increase on 23 September 2022 caused the rate they were being charged to increase as it hadn't 'booked' them the rate they'd initially been quoted.
- The directors had been caused distress due to the £30,000 increase in interest costs which would now be payable and the delay in responding to C's complaint.

NatWest told us:

- The rate offered to C was indicative only and was subject to change whilst information was being obtained to proceed with their application.
- The loan was agreed by C's relationship manager, subject to certain conditions, but even though the company had provided their solicitors' details to book the rate, this had increased due to changes in the BBR.
- It was unable to book the initial rate for C as the property valuation was below what the loan had originally been based on. This meant it couldn't lend to C on the original terms and had to restructure the loan based on this lower valuation, and when it did so, the original rate was no longer available.
- C's rate should have been higher than the increased offer rate of 8.69% due to the loan restructure. However, C's relationship manager requested an exception for them to retain the new offer rate.
- There had been a delay in the valuation taking place after the relationship manager had requested this on 12 September 2022 and it wasn't received until 11 October 2022. However, this delay hadn't affected the rate payable by C, that had been due

to the reduction in the property valuation.

- It had apologised for the delay in obtaining the valuation and paid C £500 compensation for the inconvenience caused.

Our investigator didn't recommend the complaint be upheld. She thought C had been made aware that the 6.47% was only an indicative rate and not guaranteed. She also said that as C's property valuation had been reduced, the bank had to offer a new loan agreement for a reduced amount, and it wasn't uncommon for rates to change in these circumstances. Our investigator didn't think that the delay in the valuation had caused C's interest rate to change. However, she acknowledged this had caused the company inconvenience but thought that the £500 compensation paid by the bank was enough to put things right.

C didn't agree. They said when they received the email from NatWest on 5 September 2022, the relationship manager had said they were 'getting the rate booked', so they believed the 6.47% had been secured. They weren't aware until the end of September that due to the lower valuation the original rate had been removed, and they still believed this was because of the valuation had been delayed by the bank. So C asked for an ombudsman to review their complaint.

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.

I'm sorry to disappoint C but there's not much more that I can add to what our investigator has already said.

C says that NatWest treated them unfairly as they were told in an email from the bank on 5 September 2022 that the rate of 6.47% had been 'booked'. But I don't agree. I say this because I've seen the emails from C's relationship manager to the company on 2 September 2022. These emails firstly explain that C's loan has been sanctioned. However, it also says clearly that this is subject to certain conditions being fulfilled, which included their property being appraised at the agreed valuation. The follow up email on the same day then provided the 'indicative pricing' which had been discussed. So I'm not persuaded that the relationship manager said the rate of 6.47% was guaranteed.

I recognise that C says the relationship manager then emailed them to confirm the rate after they'd provided their solicitors details. However, based on what I've seen I think it's likely the relationship manager did 'book' the rate for C, but because the valuation was less than expected, the company didn't meet the conditions for the rate and therefore were no longer eligible for the indicative quote. I've seen evidence from the bank that this was in line with its process so I can't reasonably say NatWest acted unfairly here.

C says that because NatWest delayed their property valuation, they were impacted by the change in the Bank of England base rate. But I don't agree. I've seen that C only agreed with NatWest which valuer they wanted to use late on 7 September 2022, and the bank instructed the valuer on 12 September 2022 which was within its agreed service level agreement. Given that the base rate increased on 23 September 2022, which was only twelve working days after C had made their decision on which valuer they wanted to use, there wouldn't have been any guarantee that the valuation could have taken place and been returned to the bank within that time.

I acknowledge C says after they chased the valuation it was received in a matter of days, but I think it's likely that this had been expedited by the bank because of the time period that had passed and wasn't reflective of the usual timeframe for this to be completed. But even if I accepted that the valuation could have actioned within the twelve-day timescale, I'm not

persuaded this would have made a difference. I say this because the fixed rate offered by the bank was subject to C meeting the conditions which had been agreed upon for them to receive the 6.47% and the lower valuation meant those conditions hadn't been met. Based on the evidence I've seen from NatWest I think it would always have had to reassess the loan offered to C – because of the lower valuation. So even if the base rate hadn't increased, I'm not persuaded that C would have been granted the rate of 6.47%.

However, I do think NatWest made a mistake in not chasing the valuer more quickly for an update. I can't say that this would have made a difference in the valuation being done more quickly by the valuer, but I do think it was unfair that C had to chase the bank - given it had the business relationship with the valuer and therefore was the only party who could expediate matters. I can see that NatWest has apologised that it didn't provide C with the level of service it should have done and paid £500 compensation for the inconvenience caused. So I think it's done enough to put things right for this part of C's complaint.

The directors have told us that they have been caused distress due to NatWest's actions. But this complaint has been brought on C's behalf, so C is the eligible complainant. This means that I can't look at any distress or inconvenience caused to the directors in a personal capacity. Limited companies like C, as corporate bodies rather than individuals, are not capable of suffering distress, which means I can only look at the inconvenience caused to C by NatWest's actions.

I also acknowledge that the directors say C has been caused inconvenience due to NatWest's delay in providing a response to their complaint. I'm sorry to disappoint the directors, but complaint handling isn't an activity that falls within our jurisdiction so I can't look at the bank's delay in providing C with a final response to their complaint.

I recognise that C's directors will be disappointed with my decision, but it follows that as I don't think NatWest did anything wrong in increasing the interest rate payable by C, I won't be making an award for any inconvenience or financial loss the directors say the company has suffered. And I won't be asking NatWest to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 22 December 2023.

Jenny Lomax
Ombudsman