

The complaint

G, a limited company, complains that The Royal Bank of Scotland Plc changed the payment for G's loan with RBS without the agreement of any of the directors of G, then took a large sum of money from G's current account to pay the loan, without asking or notifying G.

Ms D brings this complaint on behalf of G.

What happened

Ms D told us that G has a loan from RBS, which it previously paid by standing order. She said that without reference to G, RBS had changed the standing order to a direct debit. And later, RBS took a large amount of money out of G's current account, without permission.

Ms D said she wanted RBS to pay £1,000 in compensation to G.

RBS accepted it had made some mistakes here, and said due to changes in staffing, it wasn't able to confirm exactly how things had gone wrong.

RBS said that G previously paid its loan to RBS by standing order. As the base rate increased, the interest rate for this loan also increased, which meant the repayments on this loan got bigger. Because the repayment was made by standing order, that amount didn't change. RBS had previously discussed this with G, and agreed no change would be made, because G was then overpaying, even with the increase in base rates.

But base rates continued to rise, and the loan repayments continued to rise too. RBS had been writing to G about this, but G didn't amend the standing order. By late 2022, G's monthly standing order no longer quite covered the monthly repayments due.

In September 2022, RBS changed the payment method for G's loan from a standing order to a direct debit. It had also taken a small repayment to cover a modest amount of arrears.

RBS hasn't been able to show our service that this change to the payment method was done either at the request of G, or with G's agreement. It says it can't tell now what prompted this, as the member of staff who made the changes has left.

That isn't the only thing that went wrong. When RBS made this change to the payment method, it failed to collect a payment for September 2022. So the loan fell into arrears.

In January 2023, RBS noticed this, and also realised the missed payment was about to impact on G's credit file. So RBS exercised its right of set off, and took the missed payment from G's current account.

RBS hasn't been able to show us a loan agreement which permits it to access G's current account in this way. It says it no longer has a copy of the relevant agreement. It hasn't suggested it obtained the agreement of G in advance of taking the funds, and doesn't appear to have discussed this with G until G complained.

When G complained, RBS said it was sorry. It said it had acted with the best intentions, but it appreciated that its service could have been better. RBS paid G £250 in compensation, and cleared the interest which had accrued on the late payment, not collected in September 2022. It had also made sure G's credit file wasn't affected.

Our investigator wrote to Ms D, to provide some important information on how our service deals with compensation to businesses. She explained that the complaint here did belong to G, and that affects the compensation our service can pay. G isn't a "natural person" and can't have hurt feelings. So we wouldn't award compensation for distress or pain and suffering to a limited company

Our investigator then wrote again, to say she didn't think this complaint should be upheld, because she thought RBS had already taken appropriate action. She said that better communications from RBS could have avoided the concerns G experienced when a large sum of money was taken from G's account. But she said the payments were due under RBS's agreement with G, and she wasn't aware of any detriment caused by the payment being collected late, other than the inconvenience to G of having to raise this with RBS to see what had happened. So our investigator said that the steps RBS had taken, including refunding arrears interest, ensuring no negative information was recorded on G's credit file, and a payment of £250, did provide a fair outcome here.

Ms D replied on behalf of G to disagree. She said she and her fellow directors hadn't agreed to a compensation payment of £250 from RBS. That had been done without any discussion with them. Ms D said it was nonsense to suggest their credit would have been affected. She wanted to know if this meant G was at risk of having all its payments changed to direct debits from standing orders, without G's agreement.

Ms D said G had faced difficulties with RBS before, which had to be resolved by our service. And she thought here, RBS was getting away with it.

Our investigator said she could understand Ms D's disappointment, but she also felt that it was unlikely such an issue would occur again.

Ms D continued to disagree. She said if there had been a shortfall at the end of the loan, it would have been repaid without issue. RBS knew G had never had a problem meeting its commitments. And she said there had been no offer to revert to a standing order, which G may have wished to do. Ms D said she felt that G was stuck with RBS until its borrowing was repaid, and she said that RBS should be punished to make sure this doesn't happen again.

Because no agreement was reached, this case then came to me for a final decision.

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've reached the same overall conclusion on this complaint as our investigator.

Ms D has told us she feels that RBS is getting away with things. I think it may perhaps assist here if I set out the role of our service.

Our service isn't a regulator, we aren't here primarily to ensure banks comply with the rules, or to punish them if they step out of line. Rather, we're an informal complaints resolution service. That means our service must deal with the individual complaint in front of us.

In line with that, we assess compensation based on providing a fair and reasonable outcome to the individual complaint. That can mean that very small mistakes, which have particularly serious consequences, end up with larger payments of compensation. It can also mean that actually quite serious mistakes, which fortunately don't result in such wide-ranging consequences, don't receive such large payments.

So the payment that RBS has made, and which both our investigator and I consider has provided a fair and reasonable outcome here, isn't intended as a financial assessment of the mistake RBS made. It's not a punishment or fine intended to reflect the seriousness of that. It's just about the impact of this on G, which fortunately appears to have been more limited.

I think what has gone wrong here, is at least partly an issue of poor communication with G. RBS has shown us that in September 2022, G's monthly payments weren't meeting the monthly commitment on its loan. So something had to be done then.

I do think that RBS should have discussed this with G, and reached agreement on how to amend the payments. It cannot show it did that. It looks more like RBS reached this decision by itself, which would be poor service. But I think it's likely that if RBS had spoken with G, then G would have agreed, in the overall context of repeated rises in interest rates, to repay this loan by direct debit.

Ms D says that they didn't agree to this, and she says that RBS hasn't offered since to put the standing order back. But it looks as if G did agree to having a direct debit, although that only seems to have happened after RBS had already made the change. I've seen an email from Ms D, sent from the same email address she's using now, dated 16 February 2023, which indicates G does agree to pay by direct debit in the future. That says "*We will sign a direct debit a copy of which should be provided to us.*"

So I think that's why RBS has continued to claim these payments by direct debit. And, like our investigator, I also think this change is unlikely to be made again, to other payments made by G, without G's prior agreement.

When RBS made the change to how G's payments are collected, it also failed to ensure full payment was taken for September. I think that was poor service by RBS.

Although Ms D said this payment could easily have been made up at the end of the loan, I note that RBS has said the missed payment would have affected G's credit file. I think that's right, and because of that, I think if RBS had raised this with G, then G would have agreed to make up this payment.

However, again, it doesn't look like RBS spoke to G first. RBS doesn't appear to have asked G for payment, or notified G that it had used a right of setoff, and taken money from G's current account. It doesn't seem to have discussed this with G until G noticed the money had been taken, and feared it had been scammed. I think that was very poor service by RBS.

So I do think the service provided by RBS to G has been poor, on a number of occasions. And I understand that this has caused Ms D concern. However, as our investigator has said, I'm not able to take account of the upset caused to Ms D and her fellow directors, in a complaint brought by a limited company. I can only compensate the company itself for the impact on it. It's on that basis that I have reached the conclusion that the payment of £250

which RBS has already made, did provide a fair and reasonable outcome to this complaint. I know Ms D, on behalf of G, will be disappointed, but I don't think RBS has to do more now.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 19 February 2024.

Esther Absalom-Gough
Ombudsman