

The complaint

A company, which I'll refer to as G, complains that TSB Bank plc has unfairly taken recovery action for the debt on its Bounce Back Loan (BBL).

What happened

G successfully applied for a £25,000 BBL from TSB in June 2020.

BBLs were designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak. Under a government-backed scheme, lenders could provide a loan with a six-year term for up to 25% of the customer's turnover, subject to a maximum of £50,000

In December 2020, G contacted TSB to update the business address and personal address details. But the bank updated the address for the company incorrectly.

The BBL repayments began in July 2021. The July and August payments were successfully made from G's business account. But the repayment due in September wasn't made because the account held insufficient funds.

The loan repayments due in October, November and December 2021 were successfully made from the company's account. But the loan remained in arrears from the missed September payment.

In December 2021, G successfully applied for a six-month capital repayment holiday and a term extension for the BBL through the Pay As You Grow (PAYG) facility. This reduced the loan repayments for six months from January 2022. Each of the monthly interest-only payments was successfully made from G's business account.

The company complained about the incorrect contact address and the bank issued its final response on 14 July 2022. TSB acknowledged it had incorrectly updated the address, which it then corrected, and agreed to pay £75 compensation. The bank also said the missed BBL payment from September 2021 was still due to be paid.

After the BBL repayment holiday ended, the capital and interest repayments due in July, August and September 2022 were successfully made from G's business account. In September 2022, the company also applied for a further six-month capital repayment holiday through PAYG.

The interest-only repayments were made each month from G's business account until March 2023. But after the repayment holiday ended, the capital and interest payment due in April 2023 was missed, which caused the loan to enter into further arrears.

G's director changed his residential address again in April 2023 and contacted TSB to inform the bank about this. But the bank says it didn't receive the request and the personal address remained unchanged. G also requested a replacement debit card for its account in April 2023, which was sent to an incorrect address.

The capital and interest repayment due in May 2023 was missed because there were insufficient funds in G's business account. On 24 May 2023, the bank issued a formal demand for repayment of the BBL in full. The loan repayment due for June 2023 was also missed.

G raised a further complaint on 1 June 2023. The bank issued its final response on 6 June 2023, which said the BBL arrears needed to be paid and provided the relevant contact number to discuss this.

TSB also acknowledged in its final response that it had sent the debit card to an incorrect address and paid £25 compensation for the inconvenience this had caused.

TSB says it didn't receive any further contact from the company about repayment of the loan arrears. The BBL account was therefore moved to the bank's recoveries department in July 2023.

G was unhappy with the bank's responses to its complaints and referred them to us. G wanted TSB to update its address correctly and to write off the loan arrears. The company also wanted the bank to provide access to PAYG options to make the ongoing BBL repayments

Our investigator said that, under our rules, we couldn't look into the part of G's complaint about the incorrect address which had been the subject of the bank's response in July 2022, because the complaint was referred to us more than six months after that date and was therefore out of time.

The investigator looked into the other aspects of G's complaint but concluded that the bank didn't need to do anything further. In summary, she gave the following reasons:

- G's arrears position was the result of the company having insufficient funds in its business account on the dates when payments were due. There's no evidence that the arrears were caused by incorrect addresses held by the bank.
- The BBL was in three months' arrears when TSB issued the formal demand for repayment in full in May 2023, and two further repayments had been missed by the time the loan was moved to recoveries in July 2023. Under the BBL agreement, the arrears were an event of default, which allowed the bank to terminate the lending. The investigator therefore didn't think TSB took this action unfairly.
- G would have been aware of its obligation to meet the September 2021 payment, as it was part of the BBL agreement. G would also have been aware of the September 2021 arrears from bank's final response letter in July 2022, and later from accessing online banking. Moreover, bank had tried to contact G by phone about the matter three times in the autumn of 2021, and by text in February 2021.
- G did pay funds into its business account in September 2022, but the investigator hadn't seen any evidence that the company contacted the bank to ask it to make a transfer for the arrears to the loan.
- G's director wrote to TSB in April 2023 with notification of a change in his personal address, but the bank sent the April 2023 arrears notices to his old address. But G knew the repayments would be due and should have made sure there were funds in its account to cover them. The bank attempted to call G three times in April and May

2023 and left voicemail messages.

- TSB sent a copy of the formal demand in May 2023 to G’s company address, so G would have received it. The bank’s final response of 6 June 2023, which went to the correct address, said the arrears could still be paid if G acted urgently. The bank made more attempts to contact G by phone and left voicemails – three times in June. If G had engaged with the bank at this time and paid the arrears, the BBL may not have been transferred to recoveries.
- G’s director said the company was unwilling to phone the bank to pay by card, given the earlier problems. But the investigator said G didn’t need to pay by card – it needed only to contact the bank and to ensure funds were available in its business account for the arrears. The investigator thought this was a reasonable request by the bank. But G didn’t contact TSB again about repayment of the arrears, nor did it pay any funds into the business account to cover the arrears.
- The bank sent the replacement debit card to the company’s previous registered address, but there was no evidence of G using the previous card, so the investigator concluded that there was no significant disruption of the company’s operations. She thought the £25 payment for inconvenience was fair. G said the cheque for that hadn’t arrived. The investigator said that the company could contact the bank to get the cheque re-issued.

G didn’t agree with the investigator’s conclusions and asked for the case to be reviewed by an ombudsman.

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 that, I’ve reached the same conclusions as the investigator and for largely the same reasons.

I confirm that we’re unable to consider the part of G’s complaint about the incorrect address which was the subject of the bank’s response in July 2022, because the complaint wasn’t brought to us in time.

I agree that £25 is sufficient to settle the part of G’s complaint about the debit card. While I understand that G’s director is upset that the card and correspondence may have been received by someone else, there’s no evidence that G has suffered any loss.

For the other aspects of the complaint that we can consider, I have little to add to the investigator’s findings. To determine what’s fair and reasonable in this case, I believe I must answer three questions as follows. First, did the bank’s actions cause G to miss its BBL repayments? Secondly, should G reasonably have been aware of its missed payments and its arrears? Thirdly, did TSB take reasonable actions to engage with G to avoid the BBL being transferred to recoveries?

Did the bank’s actions cause G to miss its BBL repayments?

I can see TSB made errors regarding G’s addresses. But I agree with the investigator that these weren’t the cause of G not having enough funds in its account to meet its repayments in September 2021 and from April 2023 onwards. G knew that the BBL repayments would be

taken by direct debit from its business account, and it was the company's responsibility to ensure the account would contain sufficient funds.

G has said that it would have avoided missing a payment in September 2021 if it had been able to set up a PAYG repayment holiday sooner, and it claims the delay was the result of the bank's errors. But it's not clear that the delays setting up the PAYG holiday really were the result of errors by the bank, and the holiday was agreed in December 2021 without any changes to G's addresses held by TSB. In any event, G knew that the September 2021 payment was due and that it was the company's responsibility to meet it.

Should G reasonably have been aware of its missed payments and its arrears?

For the same reasons given by the investigator, I'm satisfied that G should reasonably have been aware that its payments were missed.

At the very latest, G would have known from July 2022 onwards about the September 2021 arrears, as the bank referred to them in its response to G's first complaint.

G knew that its capital and interest repayments would recommence in April 2023. This had been explained in the PAYG agreement which had been sent to G's director's correct personal address. But in April 2023 the business account didn't contain sufficient funds, so the direct debits failed. I'm satisfied that G should reasonably have been aware that the payments wouldn't be met.

Initially, TSB's letters about the unpaid amounts in 2023 went to the wrong address, but the bank tried to contact G by phone and left messages. In the circumstances, I believe G would have realised what those calls were about. In May 2023, the bank sent its formal demand to G's registered company address. When the bank responded in June 2023 to G's complaint, it reminded G about the arrears. TSB followed this up with further attempted calls.

I'm satisfied that G should reasonably have been aware that its account was continuing to accumulate arrears in the months before the BBL was moved to recoveries.

Did TSB take reasonable actions to engage with G to avoid the BBL being transferred to recoveries?

The bank repeatedly tried to call G and left voicemail messages from April 2023 onwards. From May onwards, G would have seen the bank's letters about the arrears. When G complained, the bank said the arrears could still be paid if G acted urgently. I'm satisfied that TSB repeatedly tried to engage with G about the arrears. But G didn't respond to the bank about the arrears and didn't pay funds into its business account to cover the arrears.

I therefore don't find that the bank acted unfairly or unreasonably when it transferred the BBL account to its recoveries department in July 2023.

My final decision

My final decision is that I don't require TSB Bank plc to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 10 September 2024.

Colin Brown
Ombudsman