

The complaint

A company, which I'll refer to as B, complains that National Westminster Bank Plc transferred its Bounce Back Loan (BBL) to the bank's recoveries department, despite B applying for a six-month repayment holiday via the Pay As You Grow (PAYG) scheme. B is also unhappy its accounts were made non-operational while its director was travelling abroad.

What happened

In May 2020, B successfully applied for a £20,000 BBL from NatWest.

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.

Repayments of the loan stopped after March 2023. The bank sent several letters to B to inform it of the arrears and to initiate contact. No response was received by 19 July 2023, so the bank wrote to B demanding full repayment of the BBL by 27 July, otherwise the loan would be defaulted. The bank also gave 60 days' notice of closing B's business bank account.

On 2 August 2023, B applied for a six-month PAYG repayment holiday. The bank has said that B wasn't eligible for the PAYG option as it hadn't complied with the formal demand which had expired on 27 July.

Because of the 60-day account closure notice period, the recoveries actions were suspended until 19 September 2023. The BBL was passed to the recoveries department on 26 September 2023.

B's director was overseas when the debt was transferred to the recoveries department and the accounts were closed. The bank had used its right of set-off to use the business account credit balance to repay part of the BBL, but reversed this to allow the director access to funds to pay an urgent bill overseas.

When B complained, NatWest acknowledged that B had been advised it was eligible to apply for the PAYG repayment holiday, which was incorrect. The bank offered £500 compensation for the inconvenience caused.

B wasn't satisfied with the bank's response, so the company referred its complaint to us.

Our investigator thought the bank's offer was sufficient to settle the complaint. He gave the following reasons, in summary:

- B missed repayments on the BBL. NatWest issued letters to B informing the company about the missed payments and allowed it adequate time to clear the arrears. B didn't respond.

- The formal demand issued by NatWest said the BBL would be defaulted if the arrears weren't cleared by 27 July 2023. The investigator was satisfied that the letter was sent to the correct address.
- B applied for a PAYG repayment holiday after the July deadline had passed. After that time, B wouldn't have been eligible for PAYG facilities.
- When the NatWest representative wrongly advised B that PAYG facilities would be available, this set up a false expectation. However, this error caused no financial detriment to B. NatWest has apologised and the investigator thought the offer of £500 compensation for inconvenience was reasonable.
- NatWest gave 60 days' notice of the bank account closure, in line with the account terms and conditions. The investigator didn't think the bank had acted unfairly.

B didn't agree with the investigator's findings. Its director made these points, in summary:

- B didn't receive the letters about the BBL arrears and the account closure. NatWest didn't phone or email the director to ensure he was actually informed. If the bank had done that, he would have addressed the matter immediately.
- The incorrect information about the PAYG facilities set off a chain of events that led to significant distress and inconvenience.

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.

The evidence shows that NatWest wrote to B about the arrears and the repayment demand at the correct address which B had given to the bank. I also note that the address is a flat which is registered at Companies House as the director's own correspondence address, and is the address the director gave to us when the complaint was referred here. I'm therefore satisfied that NatWest communicated appropriately with B about the action the bank was taking.

B's obligations to make repayments were clearly set out in the BBL agreement at the outset, so I'm satisfied that B was aware of those obligations. Taking all the evidence into account, I believe that B would have been aware that it wasn't keeping up its repayments on the loan.

I'm also satisfied that the bank account closure was carried out in line with the account terms and conditions.

In all the circumstances, given that B had stopped the repayments and didn't respond to the bank's letters, I don't think NatWest acted unfairly when it defaulted the loan, moved the debt to its recoveries department and closed the business account.

I can understand why B's director was disappointed to discover that B wasn't eligible for a PAYG repayment holiday in August 2023, having been wrongly told that the company was eligible. But even if the bank representative had given the correct information, B still wouldn't

have been eligible for the repayment holiday, so I don't think it would have changed anything for the company's finances. It's important to note that the complainant here is B, the company, and not its director, and therefore I can't require any compensation for distress that may have been suffered by the director or his family.

Putting things right

NatWest has apologised for the communication error and offered £500 compensation for inconvenience. I think the bank's offer is fair and is enough to settle the complaint.

My final decision

The bank has already made an offer of £500 to settle the complaint and I think this offer is fair in all the circumstances.

My final decision is therefore that National Westminster Bank Plc should pay £500

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

Colin Brown
Ombudsman