

The complaint

A company, which I'll refer to as "E", complains that Metro Bank PLC terminated its Bounce Back Loan facility.

E's directors, Mr T and Miss T, bring the complaint on the company's behalf.

What happened

E held a number of accounts with Metro.

Metro wrote to E on 4 June 2020, explaining that it had decided to close all of E's accounts following a review. The accounts were to be closed on 5 August 2020.

Miss T says that there was a delay in E receiving this letter. Having not received it, the company approached Metro for a Bounce Back Loan on 11 June. Metro approved E's application and a loan of £21,000 was drawn down into its current account with the bank the following day.

Shortly thereafter, Metro realised it ought not to have approved the application as it was in the process of closing E's accounts. So it restricted E's access to the loan funds while it considered how to proceed.

E opened an account elsewhere and attempted to transfer the loan funds from its Metro account. But it discovered that it was unable to access them and queried things with the bank. Over the weeks that followed, E's directors continued to chase Metro for an update. The company's accounts remained open past the scheduled closure date, but the Bounce Back Loan funds remained inaccessible.

Metro confirmed to Miss T in October 2020 that it had decided to proceed with the closure of E's accounts and would not be providing the loan as a result of this. It said it didn't provide Bounce Back Loans to customers that didn't bank with Metro, or those exiting the bank – as E had been at the time of its application.

E's accounts were subsequently closed and the Bounce Back Loan facility was terminated.

Miss T doesn't think Metro treated E fairly. She says, in summary, that:

- Metro didn't allow E to respond to its decision to close the company's accounts and that it had limited options when trying to open a new account elsewhere in the middle of the pandemic – ultimately, it ended up with an expensive e-money account.
- E had acted in anticipation of being able to use the funds once the Bounce Back Loan application was approved. It lost its biggest client because it was left without these funds. And she spent at least 20 hours trying to resolve the issue, taking her away from the business. So to put things right, she wants Metro to pay E compensation of £21,000, being equivalent to the loan amount.

My provisional decision

I issued a provisional decision on E's complaint last month, explaining why I thought it should be upheld in part.

Regarding the closure of E's accounts, I said:

Under the terms and conditions of E's accounts, Metro was entitled to close the account at any time by giving two months' notice. Generally speaking, such decisions are a matter of the bank's commercial discretion. I've not seen anything that leads me to think that Metro's decision was unfair or unreasonable in the circumstances here.

Miss T queries the basis of Metro's decision but it isn't obliged to give its reasons and I can't fairly require it to do so. I appreciate the decision came at an unfortunate time for E, but the circumstances of the time didn't affect Metro's right to review and end its relationship with a customer. And the bank wasn't required to discuss this with E before reaching its decision, or offer it a right of appeal along the lines Miss T suggests.

Metro wrote to E on 4 June 2020 with notice that it would close the company's accounts at the close of business on 5 August 2020 – so it provided sufficient notice as required under the terms and conditions. Miss T says there was a delay in E receiving this letter, which is regrettable. But it was correctly addressed and the bank's internal records evidence that it was sent. So I don't think this was due to an error on Metro's part.

Miss T doesn't think that the 60-day notice period was sufficient given the circumstances of the time. I recognise that the pandemic would've had an impact on things – both in terms of E's own resources to deal with having to find a new account, and that there were fewer options when it came to arranging alternative banking facilities. But I don't think that warranted an extension. I still think that the two months provided, in line with the terms and conditions, was reasonable. In any event, I understand from what Miss T told us that E was able to find alternative facilities within that period.

I also understand from what Miss T has told us that the company's new account is more costly than the one it had with Metro. But as I've not found Metro did anything wrong in closing E's accounts, it follows that it isn't responsible for any additional cost that E might have incurred in replacing them.

And in relation to the Bounce Back Loan, I said:

Metro was only offering Bounce Back Loans to its existing customers. As it was terminating its relationship with E, the company was not eligible for a Bounce Back Loan from Metro. So its application ought not to have been approved.

Irrespective of whether E received Metro's notice to close the company's accounts, I think it is an error on Metro's part that the application was allowed to proceed. I don't think it would've been obvious to E that it wouldn't be eligible to apply to the bank for a loan in the circumstances. The application should either have not been allowed to proceed at all, or simply declined on review. Instead, it was approved and ultimately the loan was provided.

Once the loan was paid out in error, Metro had to take steps to recover it. The terms and conditions of the loan allowed for its termination in certain circumstances. As E should not have received it in the first place, I think it was reasonable for Metro to recall it. I've not seen that Metro applied any additional charges or interest to the loan – rather, it simply recovered the amount that it had advanced.

Unfortunately, the recovery action that Metro took was rather drawn-out. The loan was drawn down on 12 June 2020 but it wasn't until 21 October 2020 that Metro confirmed it wasn't willing to honour the agreement. And it was still only sometime later that the agreement was properly terminated and the funds recalled. Even accepting that Metro was reliant on a third party for guidance, I still think it's responsible for these lengthy delays – as it was an error on its part that necessitated the recovery action in the first place.

As I think Metro made errors in how it handled things, I've gone on to consider whether E lost out as a result of what went wrong.

I've taken into account what Miss T told us about the impact that the matter had on E. She says that E acted in reliance on the funds and that being left without them meant that the company lost its biggest client. But she's not provided us with any evidence to demonstrate this – or, most importantly, how the *expectation* of the funds caused any losses in this regard. As above, the company was never entitled to the loan – so while it may have had to abort its plans when this wasn't provided, that was the position it was always going to be in. There is no basis on which I could fairly require Metro to pay E the £21,000 compensation that Miss T has proposed.

However, I do think the matter put E to some significant inconvenience. Given the lengthy delays, E's directors were in contact and correspondence with Metro on a number of occasions over several months in an effort to resolve things one way or another – ultimately raising a complaint and referring the matter to us. Miss T has also explained that E liaised with the Loan Scheme administrator in order to try and find a solution. The company needed Metro to either provide the loan or withdraw it (so that it could apply elsewhere). As this wasn't arranged swiftly, E had to make alternative arrangements and obtain borrowing through other means (which I understand Miss T arranged in her own name).

All of this caused E inconvenience, taking Mr T and Miss T away from the company's operations during an already challenging time. So I think it would be fair for Metro to pay E compensation of £500 for this.

I invited both parties to respond with any further information or evidence they wanted me to take into account before I made a final decision. Metro confirmed it had nothing further to add. Miss T didn't accept my provisional decision and replied to say, in summary, that:

- She had been in touch with Metro in March 2020 to enquire as to when it would start offering Bounce Back Loans to its customers and had delayed making alternative arrangements based on the assurances it provided.
- She hadn't personally applied for any pandemic-related financial support on principle, but her company needed it, was eligible for it and always intended to repay it.
- E had attempted to obtain a bank account elsewhere but its applications weren't even considered due to the impact of the pandemic, leaving it with no choice but to arrange a costly e-money account instead.

- Metro had acted unfairly in withdrawing the loan after it had been approved, as E met the requirements and was a customer of the bank at the time it applied. She thought it had either acted negligently in approving the loan or maliciously in declining to provide it without good reason. And she'd offered to repay the loan from an alternative account, but Metro wouldn't even consider this.
- There was no basis for me to conclude that E had ended up in the position that it was always going to be in, particularly as the company was eligible for the loan as evidenced by the bank's initial approval of the application. E couldn't apply for a loan elsewhere, as a business could only obtain one Bounce Back Loan and the records would show that the company already had one – as a result of Metro's error, which it failed to correct in good time.
- The compensation I had proposed didn't cover the costs to E that flowed from Metro's errors, bearing in mind the costly e-money account and a personal loan that she had arranged in lieu of the Bounce Back Loan.

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've not reached a different conclusion to that of my provisional decision. I'll explain why Miss T's further comments haven't changed my mind.

Firstly, Miss T says that the company didn't make arrangements to open another account elsewhere as it had relied on assurances from Metro that it would be offering lending under the Bounce Back Loan Scheme. But I've not seen that Metro misinformed E in any way – it responded to the company's queries with appropriate information and without guaranteeing either that it would be able to offer lending or, more pertinently, that it would definitely be able to offer a loan to E. It was up to E to decide whether or not it wished to wait to see if Metro would be accredited as a lender or if it wished to apply elsewhere. So the bank isn't responsible for any consequences of the choice that E made in this respect.

I explained in my provisional decision why I didn't think Metro had done anything wrong in how it had closed E's bank accounts and Miss T hasn't said anything that leads me to a different conclusion on that. So while I understand that the company has obtained a more expensive account to replace the one it held with Metro, I can't hold the bank responsible for these costs. The compensation I'd proposed wasn't to cover any losses in this respect – but rather for the inconvenience that E was caused as a result of Metro's error in approving the loan when it shouldn't have done.

The crux of the matter is whether Metro was entitled to withdraw the Bounce Back Loan from E and, for the reasons given in my provisional decision, I still think it was. The bank was only providing to loans to existing customers – a decision it was entitled to make under the rules of the Scheme. And while I accept there may be an argument to say that E was still a customer of the bank at the time of its loan application, I think it was up to the bank to decide whether it wished to accept applications from customers with whom it was withdrawing facilities – like E.

I note Miss T also says that Metro's decision to accept applications only from existing customers wasn't made clear to her. But its requirements in this respect were published on its website at the time, and that's as much as I'd reasonably expect it to have done to share this information.

The fact that E's application was initially approved was an error and clearly caused some problems. But in and of itself it doesn't confirm E's eligibility and the bank wasn't obliged to honour its erroneous decision. As explained in my provisional decision, the loan could be terminated in certain circumstances and it was reasonable for Metro to withdraw the loan in light of what happened here. It was similarly entitled to reject Miss T's proposal to keep the loan but make payments from an alternative account.

I still don't think Metro's error in approving the loan left the company in a different position than it otherwise would've been. I've explained why E wasn't eligible for a loan from Metro. And as E wasn't able to get a new account with another provider, it wasn't able to apply to any other lender for a Bounce Back Loan either. So even accepting that there was a delay in terminating the facility and amending the relevant records, I don't think this prejudiced E's position – in that I don't think the company would've obtained a loan elsewhere anyway.

I've taken into account all of Miss T's points, including that she didn't apply for any of the other support that the government made available in response to the pandemic. But neither that nor E's need for the Bounce Back Loan is enough for me to say that Metro did something wrong in refusing to provide the loan. For the reasons I've given, I don't think the bank incorrectly declined to provide the loan to E or stopped it from accessing one elsewhere.

It follows that I don't think Metro is responsible for any losses E may have incurred as a result of being left without a Bounce Back Loan. So I remain of the view that the fair way to resolve the complaint is for Metro to compensate E for the inconvenience it was caused as a result of the bank's erroneous approval of the loan application initially. And for that, I still think £500 is fair compensation – so that's what I'm requiring Metro to pay.

My final decision

For the reasons I've explained, I uphold this complaint in part and require Metro Bank PLC to pay compensation of £500 to E.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 4 May 2022.

Ombudsman