

## **The complaint**

A company, which I'll refer to as "S", complains that TSB Bank plc recalled a Bounce Back Loan and closed its account without notice.

S's director, Mr W, brings the complaint on the company's behalf.

## **What happened**

S banked with TSB. The company successfully applied to the bank for a Bounce Back Loan in June 2020, drawing down a loan of £50,000.

In November 2020, TSB initiated a review of S's account and its Bounce Back Loan application. The bank restricted access to the account while it did so, meaning that the company couldn't utilise the funds held therein.

While the review was ongoing, Mr W complained to TSB about being unable to access S's account. But the bank said that its actions were in line with the account terms and conditions.

Following the review, TSB terminated S's Bounce Back Loan facility. The bank applied the funds held in the account, of just over £5,300, to pay down the amount S owed on the loan and issued a formal demand for the remainder on 16 March 2021. The bank then closed S's account on 23 March.

Mr W referred the matter to us as he didn't think TSB had acted fairly. He said he'd done nothing wrong and didn't think there was any justification for the bank's actions.

One of our investigators reviewed S's complaint. In summary, he said:

- TSB had carried out appropriate checks in line with the rules of the Bounce Back Loan Scheme and its broader legal and regulatory responsibilities.
- TSB had concerns over S's eligibility for the loan. As it wasn't satisfied as to S's eligibility, TSB had terminated the loan and closed the company's account in line with the applicable terms and conditions. He thought this was reasonable in the circumstances.
- It had, though, taken TSB too long to complete its review. In particular, he couldn't see any meaningful action by the bank between 6 November 2020 and 23 February 2021. So he thought the complaint should be upheld on this aspect, and recommended that the bank pay S £200 compensation for the inconvenience these delays had caused.

TSB offered to pay the compensation to settle the matter, but Mr W didn't accept our investigator's view. He still didn't think TSB's actions were justified and said that he'd had to turn down work as a consequence of being without the account. TSB said it withdrew its offer and said it didn't think that compensation was appropriate given the circumstances

giving rise to its actions. It said it was “not unrealistic” that there would be such delays, as the focus was on issuing loans at the time and the mechanisms for recovering them were still in development.

So with no resolution, the complaint was passed to me to decide.

### **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.

#### The review and recall of the Bounce Back Loan

Under the rules of the Bounce Back Loan Scheme, an applicant could borrow up to a maximum of 25% of their annual turnover. For businesses established prior to 1 January 2019, this percentage was to be based on their turnover for the calendar year 2019.

On S’s behalf, Mr W applied to TSB for a loan of £50,000, so the company needed to have a turnover of at least £200,000. In the loan application he submitted, Mr W declared a turnover of £350,000. So TSB approved the application on this basis – with applicants required to self-declare that they met the eligibility criteria.

Although the loan had been approved and drawn down, and some of the funds utilised, TSB was entitled – and expected – to continue to keep matters under review. This is in line with its anti-fraud obligations both under the Bounce Back Loan Scheme and its wider legal and regulatory requirements. So I don’t think the bank did anything wrong in reviewing things in the manner it did.

Following its review, TSB decided that S wasn’t eligible for the loan. The bank identified that the turnover going through S’s account was substantially lower than the £350,000 figure declared in the application and wasn’t in keeping with the information Mr W had provided when opening the account. As part of its review, TSB asked Mr W for information to evidence the figure he’d used – most notably the company’s accounts – but this didn’t demonstrate a turnover at or near the level he’d declared. Mr W has also provided us with a copy of S’s accounts, which show a substantially lower turnover during 2019 than the £350,000 stated in S’s Bounce Back Loan application. So I think the bank’s conclusion was reasonable.

I understand from what Mr W has told us that the figure he used may have been based on a projection of future income. But estimated figures could only be used by businesses established after 1 January 2019. S had been established several years prior to its application and was required, under the Loan Scheme rules, to provide its annual turnover for the calendar year 2019.

This was clearly explained in the application form that Mr W completed:

*“You can apply for a loan which is up to 25% of your turnover in calendar year 2019 ... If your business was established after 1 January 2019, you should apply the 25% limit to your estimated annual turnover from the date you started your business.”*

I understand Mr W thinks TSB should have checked this before approving the loan. But as noted above, lenders were entitled to rely on the applicant’s self-declaration as to their eligibility. The application form that Mr W completed also included declarations that set out

the importance of providing accurate information and the potential consequences of any errors in this regard:

*“I/We recognise that by providing information that is inaccurate in any material particular, I/we may be regarded as attempting to gain, or gaining, a financial advantage dishonestly and as such will be liable to criminal prosecution for fraud ... as well as to the forfeiture of all loan proceeds ...”*

Having reasonably determined that S was ineligible for the loan it had obtained, I don't think TSB did anything wrong in the steps it took to recover the funds. Under the terms and conditions of the Bounce Back Loan, the bank was entitled to terminate the loan and demand its immediate repayment in certain circumstances. This included where any representations or statements made by S proved to be incorrect or inaccurate – as was the case here.

Under the terms and conditions of S's account and the loan agreement, TSB had the “right of set off” – in short, it was entitled to use any credit balance held in any other account with TSB by S towards the repayment of any amounts owed to the bank. So I don't think it did anything wrong in removing the funds from S's account and paying down the debt in the manner it did.

#### The restriction and closure of the bank account

I appreciate that the immediate restriction of S's account and its subsequent closure will have caused the company some difficulties. But TSB was allowed to take such actions in certain circumstances under the applicable terms and conditions, and I think it was justified in doing so here in light of the issues I've outlined above. The bank wasn't obliged to give S advance notice of the restriction or explain the reasons for its actions.

Mr W is unhappy that TSB continued to allow funds to credit the account while it was restricted, with these funds then being held by the bank and applied to pay down the Bounce Back Loan. But the bank wasn't obliged to return these payments and didn't do anything wrong in continuing to accept payments into the account while it was conducting a review.

As I don't think TSB did anything wrong in restricting or closing S's account, it follows that there is no basis on which I could fairly require it to compensate the company for any losses these actions may have caused.

I do, though, think TSB should have resolved matters sooner than it did. The bank initiated its review in early November 2020 and took four months to reach its decision. Its records suggest that it only contacted Mr W for some further information in late February 2021. Even accepting what the bank has said of the circumstances it was operating under at the time, I think this delay was unreasonable.

There was no set timeframe within which a review such as this had to be completed. It was always going to take the bank some time, with S being unable to use its account for a number of weeks. But the avoidable delay meant that Mr W spent more time and trouble chasing things up than ought to have been necessary. He called and wrote to TSB on a number of occasions, and ultimately had to spend more time on this matter – taking him away from running the company – than he would have done were it not for the unreasonable delay. I think TSB should compensate S for this inconvenience and £200 is a fair amount in the circumstances.

**My final decision**

For the reasons set out above, I uphold this complaint in part and require TSB Bank plc to pay S compensation of £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 11 August 2022.

Ben Jennings  
**Ombudsman**