

## **The complaint**

A company, which I'll refer to as "G", complains that Funding Circle unfairly rejected its request for a loan under the Coronavirus Business Interruption Loan Scheme.

Mr W is G's director and brings the complaint on the company's behalf.

## **What happened**

G approached Funding Circle in March 2021 with a view to taking out a Coronavirus Business Interruption Loan ("CBIL"). G was required to provide some bank statements to support its application, which it uploaded. But Funding Circle didn't accept statements issued by G's banking services provider – so it declined to consider the application further.

When Mr W complained about this, Funding Circle maintained its decision. It further explained that it couldn't accept the format of statements from G's banking services provider, which in turn meant it couldn't use them to complete its credit assessment.

Mr W didn't think Funding Circle had treated G fairly and asked us to review the matter. He said that Funding Circle initially accepted the application and only belatedly advised him that G's statements were an issue, which he didn't accept as he thought Funding Circle could've obtained the information it needed through other ways. He said he'd been given different explanations as to why the application proceed and that G had been left unable to access the CBIL Scheme as it had closed to new applications by the time Funding Circle had reached its decision.

Our investigator thought the complaint should be upheld in part. He said, in summary, that:

- Funding Circle was entitled to decide what documentation it needed to assess G's application and, as its requirements weren't met, had acted in reasonably in declining the request.
- The application hadn't been approved at any point. The application was only completed on submission of the bank statements on 7 April, but was then subject to review. And there was no delay in Funding Circle's review, having confirmed its decision to decline the application a day after receiving the statements from G. It was unfortunate that the CBIL Scheme had closed by this time.
- Funding Circle had, however, caused confusion when explaining its position to Mr W. It had initially told him that the CBIL Scheme was closed and it was only when Mr W challenged this that Funding Circle told him of the bank statement issue. And it didn't deal properly with Mr W's follow-up questions as to its policy and entitlement to apply this given the CBIL Scheme was government-backed. So he recommended that Funding Circle pay G compensation of £150 for the inconvenience this had caused.

Funding Circle accepted our investigator's recommendation but Mr W didn't. He didn't think it was right to say that the application had been declined, but rather that it wasn't processed. He highlighted inconsistencies with Funding Circle's explanations of its rationale, believing

that it was simply a failure to process it before the CBIL Scheme deadline of 31 March 2021. In any event, he still didn't think it was reasonable to decline a request due to the format of a bank statement, which was something that could have been easily resolved.

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.

Having done so, I've reached the same conclusions as our investigator and for broadly the same reasons. I'll explain why. I should point out that in doing so, I won't address each and every point that Mr W has raised in his submissions. While I've read and considered everything he's said and provided, I'll focus on the matters I consider most relevant to my decision.

Mr W's position is that Funding Circle didn't decline G's application, but instead failed to consider it before the CBIL Scheme closed. I can see why he thinks that, given that's what the initial correspondence he received about the outcome suggested. It's difficult for me to confirm the position beyond doubt, but I think it most likely that Funding Circle did review the application on submission of G's statements – given that its decision was only reached on 8 April (being the day after the statements were submitted, with the Scheme having closed on 31 March). And lenders had a window of time in which to process applications that were already underway, as G's was.

As to the reason behind its decision, Funding Circle has said that it doesn't accept bank statements from G's banking services provider. This is not to do with the format of the statements themselves, but rather the provider itself. As such it forms part of Funding Circle's risk appetite, which is not something we would typically interfere with and I don't think there are grounds for me to do so here. There was also, then, no alternative solution to overcome Funding Circle's basis for declining G's request, as Mr W has contested.

Given G banked with a provider that didn't meet with Funding Circle's criteria, it declined to proceed with the application. That was a decision it was entitled to make. While the CBIL Scheme was government-backed, lenders were still entitled to process applications in line with their existing policies and risk appetites. I think this decision was one that fell within Funding Circle's discretion and I don't think it was applied unreasonably.

It follows that I don't think Funding Circle unfairly declined to proceed with G's application – applying its standard policy to the company's request and treating it in the same way as any other customer.

By the time Funding Circle reached its decision, the CBIL Scheme had closed – so G was unable to apply elsewhere. But I don't think that is down to any error on Funding Circle's part. I've not seen that it caused any unreasonable delay in processing G's application and it wasn't required to notify applicants of its criteria in advance. It was an unfortunate consequence of the application being made shortly before the Scheme's closure and Funding Circle's legitimate decision to decline it. There is also no guarantee that G would've been successful in obtaining a CBIL, even if it had the opportunity to apply elsewhere.

Funding Circle could've explained things better to G when advising of the reasons behind its decision. While not obliged to share these in great detail, it did more harm than good by telling Mr W the wrong thing rather than nothing at all – most notably suggesting that the application couldn't proceed because the Scheme had closed and subsequently failing to

clearly explain the issue with G's banking services provider. This led Mr W, understandably, to engage with Funding Circle about the issue due to concern as to how G's application had been handled – taking him away from G's day-to-day running, thereby causing it inconvenience. It's right that the company is compensated for this, and to that end I also think that a payment of £150 represents a fair resolution.

### **My final decision**

For the reasons set out above, I uphold this complaint in part and require Funding Circle Ltd to pay G compensation of £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 21 October 2022.

Ben Jennings  
**Ombudsman**