

The complaint

A company which I'll refer to as "R" complains about delays in obtaining a Bounce Back Loan from The Royal Bank of Scotland Plc ("RBS").

One of R's directors, Miss M, brings the complaint on the company's behalf.

What happened

R applied to NatWest for a Bounce Back Loan in May 2020. Miss M submitted three applications on the company's behalf – on 6, 8 and 10 May – but the bank declined each of them.

Miss M queried the basis of the bank's decision but it declined to explain why it hadn't approved R's applications. Miss M sought to appeal, which led her to raise a complaint in June and escalate matters through her MP.

NatWest then invited R to submit a new application, in light of changes to its processes. A further application was made on 21 September 2020, which the bank approved. R successfully drew down a Bounce Back Loan of £50,000 shortly thereafter.

NatWest said it hadn't done anything wrong in declining R's first three applications, but accepted that there had been a delay in reviewing the matter in light of Miss M's concerns. So it offered to pay R compensation of £250 for the inconvenience caused along with £100 towards the company's costs.

Miss M remained unhappy and referred the matter to us. She said that delays in obtaining the loan had caused the company a financial loss, because:

- R had to arrange payment holidays on its other borrowing, which would cost it more in the long run.
- R had been using an invoice financing facility, which it remained reliant on until it received the Bounce Back Loan funds – meaning it incurred additional interest and charges.
- R had taken some of its vehicles off the road to reduce its costs and delays in getting the loan had a knock-on delay in getting them back on the road. This, in turn, had led to more work being needed to make the vehicles roadworthy again, at a higher cost.

Miss M also said that the matter had taken a toll on her mental and physical health, spending a lot of time and effort on following up with RBS during an already difficult time.

One of our investigators reviewed R's complaint. She said, in summary, that:

- R's first three applications had failed checks that RBS was required to carry out under the rules of the Loan Scheme. Looking at the information on which NatWest

had based its decision to decline the original application, she thought it had acted reasonably. NatWest subsequently changed its decision following a change in how it reviewed Bounce Back Loan applications.

- While she didn't think RBS had made an error in how it had assessed R's applications, she thought it had taken too long to review things in light of Miss M's appeal. Miss M had raised a complaint on 18 June, but it was only after the MP's involvement in July that RBS had taken any action – and even then, it wasn't until late September that R obtained the loan. She thought the loan ought reasonably to have been arranged by 1 August.
- R had incurred additional costs through its invoice financing arrangement. The company had settled this on 9 October 2020 after receiving the Bounce Back Loan, so she thought it would've done this sooner had things gone as they should have. She recommended that RBS reimburse R for the charges and interest it had incurred from 1 August.
- She didn't think RBS needed to pay any compensation in respect of the payment holidays that R had arranged on its two other finance agreements. This was because one had been arranged prior to the Bounce Back Loan application and she couldn't see that the other had led to any additional charges or interest being applied. She didn't think that the bank's delays in reviewing things had affected the vehicle repair costs, as that work had all been arranged and paid for in June 2020 – and she didn't think the Bounce Back Loan was ever going to have been arranged by then.
- She thought RBS should increase its offer of compensation for the inconvenience R had been caused in having to pursue the matter by a further £200 to £450, along with the £100 it had offered towards the company's costs.

RBS accepted our investigator's view, but Miss M didn't think the compensation went far enough. In particular, she thought the reimbursement of the invoice financing interest and charges should be backdated further and that the company would suffer a financial loss from its payment holidays on other arrangements.

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 largely the same reasons. I'll explain why.

Under the rules of the Bounce Back Loan Scheme, RBS was required to undertake certain checks on R's application, including "Know Your Customer", anti-money laundering and anti-fraud checks. R's first three applications, made in May, failed those checks – so they were declined. Having reviewed the information on which these decisions were based, I think they were reasonable.

I can appreciate why Miss M would find it difficult to accept that RBS's initial stance was correct or fair, given that it later reversed its position and granted the loan (and as the bank hasn't explained the basis of its decisions, there's nothing to differentiate them). I'm afraid I can't share much more detail than RBS has already disclosed on this, particularly as

information about how banks reach such decisions is subject to some legitimate confidentiality.

What I can say, though, is that NatWest changed its position after a manual review – which it completed in line with amendments to its processes. R's first three applications were automatically declined on the basis of information obtained during what was a largely automated process. There was nothing wrong with the bank handling the applications in this way – lenders had to process applications swiftly, and set up the mechanisms to do so at pace following the Loan Scheme's launch. RBS assessed these first three applications in line with the standard procedure it had in place at the time, shortly after the Scheme was introduced – with which I find no fault.

By the time RBS reviewed Miss M's appeal, the bank had changed its process and introduced a manual review – allowing for intervention to 'overturn' the automated process. Through that route, it had more latitude than was applied through its automated process under which the first applications were assessed. This review led it to a different decision. For the reasons above, that doesn't render RBS's initial decisions wrong or unfair.

There was, then, no error in how RBS handled R's first three applications. It follows that there was always going to be a delay in R obtaining its Bounce Back Loan. The company was either going to have to apply elsewhere, or reapply to RBS. Understandably, Miss M sought to understand the basis of the bank's decision before taking any further action – but RBS declined to share any further information about this, which I think was reasonable for the reasons I've already given.

I don't think there is a specific point at which RBS should've encouraged Miss M to reapply or otherwise review its original decision on R's applications. It did so in light of the complaint that Miss M raised, but there was then a delay in the bank taking any action. Miss M raised her concerns in mid-June 2020 – but RBS only invited a further application (in light of the changes to its processes) in mid-September, some three months later.

It was always going to take RBS a little time to review what had happened with R's application in order to identify whether the subsequent changes in its processes had an impact (and therefore whether it would be appropriate for the company to apply again). I'm also conscious of the fact that RBS was dealing with a large volume of applications and related queries at the time, along with the broader impact of the coronavirus pandemic. Also, RBS had up to eight weeks to respond to the complaint under the rules that apply to regulated financial businesses.

Taking all of that into account, like our investigator I think it is reasonable to say that RBS ought reasonably to have remedied the situation in the manner it did by 1 August 2020, rather than 21 September. So it's right that RBS compensates R for the impact this delay had.

To that end, Miss M has identified four ways in which R was affected: having to maintain an invoice financing facility for longer than necessary, having to arrange payment holidays on two other arrangements, incurring greater repair costs while unable to get its vehicles back on the road without funding, and the distress and inconvenience that she and the company were caused.

On the first of these, RBS has already agreed to reimburse R for the additional interest and charges that it incurred on its invoice financing arrangement from 1 August 2020, which was only settled in 9 October 2020 because R was without the loan. I think this is fair. R used the Bounce Back Loan to settle the invoice financing arrangement shortly after receiving the funds from RBS. So it would've been able to do this much sooner – on or around 1 August –

had things gone as they should have. I know Miss M thinks the reimbursement should cover a longer period, but for the reasons given above I think it is fair to say that R ought only to have received the loan on 1 August – so that it is the point from which it incurred additional losses.

On the payment holidays, I don't think there is any loss to R that flows from the errors on RBS's part. The payment holiday arranged on one of its other finance agreements was agreed in April 2020 – prior to the Bounce Back Loan applications, and most importantly prior to the errors made by NatWest and before 1 August, when I think it should've gotten the loan. So I think R was always going to enter into that payment holiday and incur any losses, irrespective of what subsequently occurred in respect of its Bounce Back Loan application.

R entered into a short-term payment arrangement on one of its other arrangements in July 2020 – again, before I think it should've gotten the loan. Arguably, had some progress been made on the Bounce Back Loan application it wouldn't have entered into this concessionary arrangement. But either way, I've not seen that the variation to its payment schedule actually led to the company incurring a loss. R hasn't shown us that it will pay any more interest and the letter from its finance provider specifically states that no additional fees were levied.

On the costs of repairing its vehicles, I've not seen that the amounts R paid in this respect were higher than they would've been but for the delays on RBS's part. R took the vehicles off the road prior to the Bounce Back Loan application and the repair work was instructed, completed and paid for prior to 1 August 2020. So even if R had obtained the loan when I think it should have, it would still have incurred these costs. And so there's no basis on which I could fairly require RBS to compensate the company for these.

Lastly, I have considered what Miss M has told us of the impact that this matter has had on her and her company. In this respect, I should clarify that I am unable to award compensation for any trouble or upset that she has suffered personally – as it is only R that is the eligible complainant under our rules, and therefore it is only to the company that I can award compensation. I have no doubt that it was a particularly stressful period for her and I'm sorry to read of the toll that things took on her personally, but I'm afraid I am unable to make any award in that respect.

It is, therefore, a question of deciding fair compensation for the inconvenience that R was caused by the delays in RBS reviewing its appeal and providing the loan. The delays meant that Miss M, in her capacity as R's director, had to take time out of running the business to chase the bank up on a number of occasions and escalate the matter through us and her MP in view of the lack of progress. And R had to make alternative arrangements to preserve its cashflow while without the loan. NatWest has now agreed to pay compensation of £450 as well as £100 towards the costs that the company would've incurred in pursuing matters, and having taken everything into account I think that is fair.

My final decision

For the reasons I've explained, I uphold this complaint and require The Royal Bank of Scotland Plc to:

- Reimburse R for the interest and charges it incurred on its invoice financing agreement as a result of its usage from 1 August 2020 until 9 October 2020; and
- Pay R £550, comprising £450 compensation for the inconvenience it was caused and £100 towards its costs in dealing with this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 3 June 2022.

Ben Jennings
Ombudsman