

The complaint

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

M's director, Mr P, brings the complaint on the company's behalf.

What happened

M banked with TSB. The company successfully applied to the bank for a Bounce Back Loan in July 2020, drawing down a loan of £35,000.

In October 2020, TSB initiated a review of M'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.

Following the review, TSB terminated the Bounce Back Loan facility and demanded its immediate repayment. The bank applied the funds held in the account, of just under £35,000, to pay down the amount M owed on the loan. The bank also decided to close M's account.

Mr P complained to TSB, but it maintained its position. So he referred the matter to us. He says the bank didn't inform him as to the actions it was taking or its reasons for them – and thinks it should've given him the opportunity to discuss whatever concerns it had. He says M was left without banking facilities and ultimately unable to trade, and that the matter caused him a great deal of stress.

My provisional decision

I issued a provisional decision on M's complaint last month, setting out why I didn't think it should be upheld. I said:

Under the rules of the Bounce Back Loan Scheme, an applicant could borrow up to a maximum of 25% of their annual turnover. On M's behalf, Mr P applied to TSB for a loan of £35,000, so the company needed to have a turnover of at least £140,000. In the loan application he submitted, he declared a turnover of this amount. So TSB approved the application on this basis – with applicants required to self-declare that they met the eligibility criteria.

Although the loan was initially approved and drawn down, with some of the funds having been 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 matter it did.

Following its review, TSB decided that M wasn't eligible for the loan. And I think this decision was reasonable. The bank identified that the turnover going through M's account was substantially lower than the £140,000 figure it had declared in its loan

application. M's tax returns also demonstrate that the company was turning over far less than £140,000 during 2019.

Mr P says he used an estimated turnover figure, based on projections of earnings from upcoming business. But only companies established during 2019 could use any projected figures. M had been established several years prior to its application and was required, under the rules of the Scheme, to provide its annual turnover for the calendar year 2019. This was clearly explained in the application form that Mr P 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."

The application form that Mr P 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 correctly determined that M was ineligible for the loan it had obtained, I think it was reasonable for TSB to take steps to recover it. 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 M proved to have been incorrect or inaccurate – as was the case here.

Under the terms and conditions of M'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 M to towards the repayment of any amounts owed to the bank. So I don't think it did anything wrong in removing the funds from M's account and paying down the debt in the manner it did.

I appreciate that the immediate restriction of M's account and its subsequent closure would've 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 its concerns. The bank wasn't obliged to give M advance notice of the restriction or explain the reasons for its actions.

I understand why Mr P is unhappy that TSB didn't give him the opportunity to discuss matters. I can see that, if he made a genuine mistake in using an estimated turnover figure, he would've welcomed the chance to explain this and see if there was a way of resolving the matter in another way. But there was no obligation on the bank to do that. Ultimately, in light of its anti-fraud obligations and the circumstances here, I don't think the bank did anything wrong in how it handled matters – ensuring that it recovered as much of the loan funds as quickly as possible.

I don't doubt that the closure of its account and termination of the Bounce Back Loan facility impacted M's operations. But for me to require TSB to compensate the company for this, I'd need to find that the bank did something wrong or unfair in

taking these actions. And for the reasons I've explained, I don't think it did. So I'm not intending to require TSB to take any action in response to this complaint.

TSB accepted my provisional decision but Mr P didn't. He said he'd made a genuine mistake in using a projected turnover figure that he believed was acceptable – and if it hadn't been, then TSB shouldn't have granted the loan in the first place. He said that if the bank had declined the loan application, then M would still have its account and its operations wouldn't have been impacted so severely. He also queried what prompted TSB to review the matter sometime after the loan had been given – and why, if the bank had suspected fraud, it had not filed a record with CIFAS (a fraud prevention service).

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 the further comments and information that Mr P provided haven't changed my mind.

Firstly, I understand Mr P's disappointment as it seems he made a genuine mistake in providing a projection rather than the company's actual turnover. But as set out in my provisional decision, I think the requirements as to the information he needed to provide when making M's application were made sufficiently clear – as were the consequences of providing incorrect information. Ultimately, even accepting that the erroneous information was genuinely provided doesn't lead me to a different view of how TSB dealt with matters once it spotted the discrepancy.

I understand Mr P is concerned by my reference to the bank's anti-fraud obligations, but that wasn't to suggest that he had made a fraudulent application. Rather, that these obligations meant that the bank wasn't required to seek explanations from applicants about such discrepancies more generally – and so TSB didn't treat M unfairly in proceeding in the manner it did without discussing things with Mr P first.

TSB didn't need a reason to review M's account or its Bounce Back Loan application when it did. It had a number of obligations, in respect of both facilities, to keep things under review. I understand Mr P's points regarding the issues arising from the fact that TSB only reviewed the position sometime *after* approving the loan. But, as also explained previously, lenders were entitled under the rules of the Loan Scheme to rely largely on the information and declarations provided by an applicant – with a view to providing funds to eligible applicants as quickly as possible, given the purpose of the Scheme. So TSB was entitled to rely on the information that Mr P provided within M's application when assessing the request initially.

It follows that I still don't think TSB is responsible for any losses that M suffered following the termination of the loan and closure of its account, which I still think were reasonable actions in light of the bank's review.

Finally, I note Mr P's query as to why TSB hasn't notified CIFAS about the Bounce Back Loan application if it suspects that it was fraudulent. Not all suspicions of fraud will lead to a CIFAS referral. This will be influenced by the weight of the suspicion and the evidence available. Mr P says the application wasn't fraudulent – and so it can only be a positive that the bank hasn't registered any concerns with CIFAS. But there is no dispute that the application contained inaccuracies. I've found that TSB correctly identified incorrect information in M's Bounce Back Loan application and determined that the company wasn't

eligible for the loan it had obtained. For the reasons set out in my provisional decision, I think the bank then took reasonable steps in light of that discovery.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 22 June 2022.

Ben Jennings
Ombudsman