

## **The complaint**

Mr D is a sole trader. He complains that National Westminster Bank Plc (“NatWest”) unfairly declined his applications for a new account, which in turn meant he couldn’t apply to the bank for a Bounce Back Loan.

## **What happened**

Mr D was an existing personal customer of NatWest and wanted to apply to the bank for a Bounce Back Loan to support two of his businesses.

NatWest required customers without a business account to obtain a “business feeder account” before it would consider an application for a Bounce Back Loan. The account would then be used to draw down and transfer onward any funds borrowed under the Bounce Back Loan Scheme.

So Mr D applied to NatWest for a feeder account for each of the two businesses for which he was seeking a loan, one on 18 February 2021 and the other on 1 March. NatWest declined the applications, on 26 March and 29 March respectively. The Bounce Back Loan Scheme closed to new applications on 31 March.

When Mr D complained about NatWest’s decision to decline the applications, the bank said that it hadn’t received acceptable evidence confirming that either of his businesses had been trading prior to 1 March 2020 as required by the Bounce Back Loan eligibility criteria. Separately, it offered Mr D compensation of £150 in recognition of the fact that the service he’d received hadn’t been as good as it should’ve been.

Mr D remained unhappy and referred the matter to us. He said that each of his businesses was eligible and thought he’d provided NatWest with sufficient evidence of this, which had included a copy his tax return. He also said that NatWest had approved an earlier Bounce Back Loan application from him without requesting such evidence. And he said that the timing of the bank’s decision had left him unable to access the government-backed support that he needed.

NatWest subsequently revised its offer of compensation to £250, but stood by its decision to decline Mr D’s account applications.

One of our investigators looked into things and thought the complaint should be upheld in part. She didn’t think that NatWest had done anything wrong in declining Mr D’s account applications on the basis that it wasn’t satisfied of his eligibility for the Bounce Back Loans that he was seeking. Having reviewed the evidence that Mr D provided to NatWest, she noted that one of his businesses wasn’t supported by a tax return and, more broadly, that Mr D’s personal account activity didn’t evidence the level of turnover he’d declared. But she thought the bank had taken too long to reach its decision and recommended that NatWest increase its offer of compensation to £350 for the distress and inconvenience caused.

NatWest accepted our investigator's view, but Mr D didn't. He still didn't think that the bank had legitimate grounds to decline his applications and said there was no requirement under the rules of the Bounce Back Loan Scheme to evidence the business's turnover.

So with no resolution, the matter 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.

NatWest required customers who didn't have a business relationship to open a feeder account before it would consider an application from them for a Bounce Back Loan. It was entitled to do so under the rules of Bounce Back Loan Scheme.

It is worth highlighting that NatWest was only deciding whether or not it was willing to provide Mr D with one of its accounts – and was entitled, under the rules of the Loan Scheme to follow its usual processes and apply its own criteria when doing so.

NatWest has explained that it declined each of Mr D's account applications as it didn't think that the trading activity or turnover had been sufficiently evidenced for either. I think those requirements were reasonable given the bank's Know Your Customer and anti-money laundering requirements under law and regulation, and its similar obligations under the Bounce Back Loan Scheme for which the accounts were needed to access. And I think the conclusions NatWest reached were reasonable too, because:

- Only one of the two businesses for which Mr D was seeking a loan was contained within the tax return he provided. There was very little evidence to show that the other existed or – if it did – when it had started trading.
- NatWest couldn't verify the trading activity or turnover for either of the two businesses from the transactions running through the personal account that Mr D held with the bank. Having reviewed the statements, there are few identifiable business-related transactions and these don't support the level of turnover that Mr D declared (and would've needed to support the loan amount he was seeking).

I know Mr D doesn't think that NatWest was required or entitled to review things in the depth that it did, but as set out above I think it had the discretion to do so. The fact that an earlier application wasn't subject to the same checks doesn't lead me to think that it did anything wrong in how it handled the applications at issue here. Banks can change their processes and requirements and I don't think the ones that NatWest applied here were illegitimate or unreasonable for the reasons noted above.

Mr D is also unhappy with how long NatWest took to process the applications. He's concerned that the bank purposefully delayed them, but I've seen nothing to suggest that was the case. One took five weeks, the other closer to six. I don't think those timeframes were particularly excessive, given the volume of applications that NatWest would've been dealing with at the time and in view of the bank's reasonable requests for further information along the way. The bank has accepted that it could've handled things more quickly than it did and offered to pay Mr D a total of £350. I think this is fair compensation for any distress and inconvenience he was caused by the relatively minor delays in progressing his applications.

The timing of NatWest's decisions meant that there was only a short time for Mr D to apply elsewhere – given that he only had the bank's answer to his applications a few days prior to

the closure of the Loan Scheme on 31 March 2021. But time was always going to be tight given the date that Mr D submitted the applications. And there was still a short window within which he could've applied to an alternative lender. So I don't think it's fair to hold NatWest responsible for Mr D being unable to apply for a Bounce Back Loan elsewhere.

Taking all of the above into account, I think NatWest's revised offer of £350 compensation is a fair way to resolve this complaint.

### **My final decision**

For the reasons I've explained, I uphold this complaint in part and require National Westminster Bank Plc to pay Mr D £350 (less any amounts already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 August 2022.

Ben Jennings  
**Ombudsman**