

## **The complaint**

A company, which I'll refer to as "L", complains that National Westminster Bank Plc ("NatWest") terminated a Bounce Back Loan agreement and closed its bank account unfairly.

L's director, Mr C, brings the complaint on the company's behalf.

## **What happened**

L banked with NatWest and applied to the bank for a Bounce Back Loan of £10,000 on 3 July 2020.

NatWest initially approved L's application and it sent the company a loan agreement, which Mr C signed and returned on 5 July 2020.

NatWest didn't provide the loan to L. It reviewed its relationship with the company and its Bounce Back Loan application, which led it to withdraw its services from L and cancel the loan agreement.

In its letter of 9 July, NatWest said it would close L's bank account in seven days' time. But in the event, the account remained open until 25 August. Mr C was unable to access the funds held within it, as the bank had applied a restriction to the account while conducting its review. The funds, totalling just over £300, weren't released until 12 May 2021.

In response to Mr C's complaint, NatWest said that upon review it had identified that it shouldn't have approved L's Bounce Back Loan application and had terminated the agreement accordingly. With regard to the bank account, it said it had decided to end its relationship with L and done so in accordance with the terms and conditions. The bank subsequently said that it didn't cause any delay in releasing the account balance to L, as it had only received a "funds release form" from the company in February 2021 and had then needed to complete some checks.

Mr C didn't think NatWest had treated L fairly, so he asked us to look into things. One of our investigators reviewed the complaint and recommended that it be upheld in part. In summary, she didn't think NatWest had done anything wrong in deciding to terminate the Bounce Back Loan agreement or end its relationship with L. But she couldn't see why it had taken NatWest until 12 May to release the account balance after receiving the funds release form on 19 February. So she thought that the bank should compensate L for the impact of being without this amount by paying the company 8% interest on it for this period and £100 for the inconvenience it had been caused.

NatWest didn't accept our investigator's view, as it maintained that it wasn't responsible for any undue delay in releasing L's funds. And Mr C didn't think the compensation went far enough, as he said NatWest's actions had destroyed his business. 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.

Although the loan was initially approved and drawn down, NatWest 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 it did anything wrong in conducting a review of L's loan after entering into an agreement to provide it.

Upon review, NatWest concluded that it shouldn't have approved L's Bounce Back Loan application in the first place. I've reviewed the basis on which it reached this decision, and I think it was reasonable.

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 – as L was – this percentage was to be based on their turnover for the calendar year 2019.

On L's behalf, Mr C applied to HSBC for a loan of £10,000, so the company needed to have a turnover of at least £40,000. L signed a declaration confirming that its turnover was at the requisite level to be eligible for the £10,000 loan it requested. So NatWest approved the application on this basis – with applicants required to self-declare that they met the eligibility criteria. However, Mr C has sent us L's accounts, which show that the company did not have a turnover of this level.

The terms and conditions of the Bounce Back Loan agreement set out that drawdown of the loan would not be permitted if an "Event of Default" had occurred. Such events included where any information given by or on behalf of L, which NatWest considered material, was inaccurate. So I think NatWest was entitled to cancel the facility on this basis alone, although I note that the bank also had other concerns as to the company's entitlement to the loan that would have led it to the same conclusion.

NatWest's review of L's Bounce Back Loan application led it to close the company's account. That was a decision it was entitled to make and it was permitted, in certain circumstances, to do so immediately. Given all I've said above, I think it was reasonable for it to do so here – albeit that it opted to give the company seven days' notice, and in the event only processed the account closure some time later.

As I don't think NatWest did anything wrong in cancelling L's Bounce Back Loan or closing its account, it follows that I don't think it is responsible for any losses that the company may have incurred as a result of these actions. Any such disruption was an unfortunate consequence of NatWest's legitimate decisions in light of its review.

However, I don't think NatWest released L's funds as soon as it should've done. The account was due to be closed on 16 July 2020, yet the funds held within it were only released to L on 12 May 2021. NatWest says it only received the requisite funds release form from L in February, which caused part of the delay. While there is limited evidence to confirm this, I can see that the bank confirmed to Mr C that it was still awaiting this in its response to his complaint – which supports some initial delay on his part. But NatWest hasn't shown us why, even after apparently receiving the form it needed on 19 February, it took a further three months to give L its money. The bank says it was awaiting the completion of some final checks on L's entitlement to the funds – but it hasn't sent us

evidence of this, despite our request. So, like our investigator, I think there was an avoidable delay here that deprived L of access to its funds unfairly.

I've not seen that this delay caused L any financial losses – and the withheld sum was relatively modest. But to compensate the company for the loss of use of these funds, I think it would be fair for NatWest to pay it 8% simple interest for the period 19 February to 12 May. L was also caused some inconvenience in having to chase the matter up with the bank, including by way of complaint – for which I also think £100 represents fair compensation.

### **My final decision**

I uphold this complaint require National Westminster Bank Plc to pay L:

- 8% simple interest on the closing account balance for the period 19 February 2021 to 12 May 2021; and
- £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 12 October 2022.

Ben Jennings  
**Ombudsman**