

## **The complaint**

A company, which I'll refer to as "P", complains that National Westminster Bank Plc ("NatWest") unfairly defaulted its Bounce Back Loan.

One of P's directors, Mr P, brings the complaint on the company's behalf.

## **What happened**

P banked with NatWest and, in May 2020, successfully applied to the bank for a Bounce Back Loan of £30,000.

Some months later, NatWest decided to end its relationship with P and said it was closing its accounts. When Mr P complained, the bank said that it couldn't discuss its rationale but that the decision had been made in line with its terms and conditions.

NatWest subsequently wrote to P on 5 January 2021 to advise that an "Event of Default" had occurred under the terms of the Bounce Back Loan – meaning that P now had to repay the £30,000 loan in full, immediately. The bank used the balance held in P's bank account, of around £190, to reduce the amount it owed on the loan.

Mr P raised a further complaint with the bank in light of its decision to call in the Bounce Back Loan. But NatWest maintained its decision, which it said complied with all applicable legislation and regulations. And it said the steps it had taken to notify P of the default and recover the debt were in line with its processes.

Mr P remained unhappy and referred the matter to us. He said that NatWest hadn't specified the grounds on which it believed an Event of Default had occurred and he didn't think its actions were justified. He wants NatWest to withdraw the default and allow P to repay the loan through the monthly instalments as per the terms of the agreement.

## **My provisional decision**

I issued a provisional decision last month, setting out why I intended to uphold P's complaint. I said:

Following a review of its relationship with P, NatWest decided to withdraw its banking services from the company. That was a decision it was entitled to make and I've not seen anything that suggests it was unreasonable.

NatWest's review was already underway when P applied to the bank for a Bounce Back Loan. Given this, it ought not to have approved P's application, not least as there was a chance that it would shortly be terminating its relationship with the company altogether. But it did. So when the bank belatedly completed its review some months later and decided to end its relationship with P, it also had to terminate the loan it had only recently provided.

While there are certain circumstances in which a Bounce Back Loan can be recalled on demand, I'm not wholly persuaded that the terms of P's agreement with NatWest entitled it to do so here. As Mr P contends, I don't think any of the listed "Events of Default" could be said to have arisen here. In any event, the situation has only come about because of an error on NatWest's part in approving the application initially when it ought to have been declined. So even if it could be said that an Event of Default had occurred, this wouldn't have happened if the bank hadn't erroneously provided P with the loan in the first place.

I can see from the company's account statements that P has had the use of the full loan amount. I understand Mr P's concern is only about how to repay this, which – given what I've said above – I have some sympathy with. Having given the loan and agreed to accept its repayment over a term of six years, I don't think it is fair for NatWest to insist on its immediate repayment in these circumstances.

Instead, I think it would be fair for NatWest to allow P to repay the loan by way of monthly instalments as originally agreed. This could (and should) have been facilitated without defaulting the agreement, so any adverse information that was registered with credit reference agencies about the default or any subsequent outstanding amounts should also be removed.

I also think it would be fair for NatWest to compensate P for the inconvenience it has been caused by the shortcomings in how the bank has handled things. Mr P has had to spend time attending to this matter, including the understandable queries he raised with NatWest as to the basis of its decision and attempts to reinstate the original repayment terms as well as making arrangements in light of the loan's termination. That, inevitably, will have taken Mr P away from the company's operations. So I'm also intending to require NatWest to pay P compensation of £350 for this inconvenience.

Lastly, I note that NatWest utilised a relatively small credit balance on P's account (of just over £190) to reduce the amount owed under the Bounce Back Loan. The terms and conditions of P's accounts allowed it to do this, although the fairness of that action is debatable given all of I've said above. But I'm not currently intending to require NatWest to refund this amount, given that it could simply be used to offset other amounts that P will be required to repay moving forward.

Both P and NatWest replied to confirm they accepted my provisional decision.

### **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.

With both parties having accepted my provisional decision and no new information for me to take into account, I see no reason to reach a different conclusion. So this decision simply confirms my provisional findings, as set out above.

### **My final decision**

For the reasons I've explained, I uphold this complaint and require National Westminster Bank Plc to:

- Pay P compensation of £350;

- Instruct the removal of any adverse information registered with credit reference agencies about P in connection with the Bounce Back Loan; and
- Allow P to repay the Bounce Back Loan by way of monthly instalments in line with the terms of the loan agreement.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 13 October 2022.

Ben Jennings  
**Ombudsman**