

## **The complaint**

A limited company, which I'll refer to as 'N', is unhappy that The Royal Bank of Scotland Plc ("RBS") isn't adhering to the agreed terms of an amended loan agreement.

This complaint is brought to this service on N's behalf by N's director, Mr S.

## **What happened**

N has a Bounce Back Loan ("BBS") with RBS. In July 2021, N successfully applied to RBS for a variation to the terms of the BBL under the "Pay as You Grow" ("PAYG") options introduced to help businesses manage their cashflows. An agreement confirming that variation – a term extension that would lower N's monthly repayments – was supplied to N by RBS. However, a system error meant that RBS lost its record of the variation agreement. Because of this, RBS reverted N's BBL back to the original terms and asked N to apply for the variation again. Mr S wasn't happy about this, especially as the variation had already been agreed. So, he raised a complaint on N's behalf.

RBS issued a response to N's complaint which suggested that it was N's application for the variation that had been lost, rather than the details of an already agreed variation, and which didn't uphold N's complaint. Mr S wasn't satisfied with RBS's response to the complaint, so he referred N's complaint to this service.

One of our investigators looked at this complaint. They felt RBS had already agreed to the variation as N maintained, but they felt that RBS's request for N to reapply was a reasonable one which would have allowed the variation to be reinstated with the least disruption. Because of this, our investigator didn't instruct RBS to apply the variation on the basis of the previously approved paperwork as N would like, although they did recommend that RBS should make a payment of £100 to N for the inconvenience that N had incurred.

Mr S didn't agree with the view of this complaint put forwards by our investigator, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 15 September 2022 as follows:

*N has been able to confirm to my satisfaction that the variation it applied for in July 2021 was agreed to by RBS. This is because N has provided a copy of the variation agreement to this service, which clearly states that the term of the loan will be extended to 26 June 2030, and that N will repay the BBL in instalments of £220.29 until that date. As such, it's difficult to understand why RBS, having had the system error that they did, didn't request a copy of the agreement from N and then apply those agreed terms to N's BBL.*

*Given that I am satisfied that the variation has been agreed by both RBS and N, I see no reason why RBS shouldn't adhere to the terms of that agreed variation. And I feel that if the circumstances were somehow reversed, and RBS had proof of a loan agreement that N had somehow lost, RBS would most likely insist that N honoured that agreement.*

*As such, my provisional decision here is that RBS must restructure N's loan as per the agreed variation, and reimburse to N any portion of the monthly loan instalments it's paid since July 2021 above the £220.29 instalment amount agreed in the variation. These reimbursements must be made to N along with 8% simple interest, calculated from the dates that instalments were paid to the date of the reimbursement back to N. And RBS must also ensure that N's credit file reporting is as it should be, had the variation been applied as it should have been.*

*However, I don't feel that RBS should be instructed to make any further payments to N such as compensation here. This is because RBS did provide N with the option to reapply for the variation, which I'm satisfied would in all probability have been a quick way to have the variation applied to N's BBL with minimal disruption. And while I can appreciate how N may have disagreed with the principles behind that option, given that the option was there, I don't feel that RBS can be reasonably held solely accountable for the length of time this matter has remained unresolved.*

In my provisional decision letter, I gave both Mr S and RBS the opportunity to provide any comments or new information they wished me to consider before I moved to a final decision.

RBS explained that while they agreed with my provisional decision in principle, they felt that it wasn't within the rules of PAYG scheme to backdate the variation as would be required. RBS also felt that there might be limitations regarding its own systems that might cause N problems if N applied for a future term variation with RBS at any point.

RBS also noted that N had applied for a PAYG term extension subsequent to raising its complaint which had been accepted and implemented, which would mean this later PAYG term extension would need to be undone if the original term extension were to be implemented.

Finally, RBS explained that if they were to implement the original PAYG variation, this would lead to N paying more interest over the life of the loan. This was because, since the events surrounding the first variation about which N had complained, N had made a payment to reduce the balance outstanding on the loan by a substantial amount, so that the later PAYG extension benefitted from being applied to a reduced outstanding balance.

For these reasons, RBS made a counter-proposal, whereby the more recent PAYG term extension would be allowed to remain in place, but where N would receive some reimbursements from RBS – as if the initial PAYG extension had been reverted to, so that N wouldn't lose out financially by accepting RBS's counter proposal.

I put RBS's counter proposal to Mr S, including that if the instructions in the provisional decision were implemented it would result in N paying more interest over the full term of the loan, and asked for his comments. In response, Mr S confirmed that he wasn't happy with RBS's counter proposal and preferred the resolution as outlined in my provisional decision.

I've thought about the comments RBS have put forwards. But the resolution as outlined in my provisional decision continues to feel fair to me, and this is because it fulfils the remit of this service to put matters into the position they should be in, had the error that prompted the

complaint never occurred. I'm also satisfied Mr S has been made aware of, and accepted, the potential consequences, including that N may pay more interest in the longer term.

I'm also not aware of anything within the BBL or PAYG schemes that would reasonably prevent RBS from fulfilling the instructions given in my provisional decision, as they're concerned about. And this is especially the case given that my instructions are intended to return the state of N's ongoing loan to that which it should be in, had the original PAYG term variation not been unfairly reversed by RBS.

All of which means that my final decision here will be that I'm upholding this complaint in N's favour on the basis as outlined in my provisional decision. While I appreciate RBS's comment that this decision may present issues in the future, I feel that any potential issues will be for RBS to overcome, and I don't feel that this point should reasonably prevent me from instructing RBS to return N's BBL to the position that it should fairly be in.

### **Putting things right**

RBS must restructure N's loan as per the original agreed variation and reimburse to N any portion of the monthly loan instalments it's paid since July 2021 above the £220.29 instalment amount agreed in the variation.

These reimbursements must be made to N along with 8% simple interest, calculated from the dates that instalments were paid to the date of the reimbursement back to N.

Finally, RBS must also ensure that N's credit file reporting is as it should be, had the initial variation been applied as it should have been.

### **My final decision**

My final decision is that I uphold this complaint against The Royal Bank of Scotland Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 27 December 2022.

Paul Cooper  
**Ombudsman**