

The complaint

A limited company, which I'll refer to as 'M', is unhappy that Starling Bank Limited defaulted its Bounce Back Loan ("BBL") without reason.

M's complaint is brought to this service by its director, whom I'll refer to as 'Mr O'.

What happened

In June 2020, M successfully applied to Starling for a £45,000 BBL and received the loan funds that same month. M also held a business current account ("BCA") with Starling, from which the payments for the BBL were scheduled to be made. In November 2021, Starling placed M's BCA under review, and in December 2021, Starling told M that its BCA would be closed and that payments to the BBL would need to be made from an alternative account.

However, on 26 January 2022, shortly after M had applied to extend the term of the BBL via the Pay As You Grow ("PAYG") option, Starling told M that an act of default had occurred on the BBL and that full repayment of the outstanding BBL balance was now required.

Starling then terminated the BBL agreement four days later, on 31 January, and offset £97.67 from M's closed BCA against the outstanding BBL balance. Mr O didn't feel that an act of default had occurred on the BBL and as such felt Starling's actions were unfair. So, he raised a complaint on M's behalf.

Starling looked at M's complaint but didn't feel that they'd done anything wrong, although they declined to explain to Mr O exactly what act of default had occurred on the BBL. Mr O wasn't satisfied with Starling's response, so he referred M's complaint to this service.

One of our investigators looked at this complaint. They didn't feel Starling had acted unfairly in how they'd managed this situation, so didn't uphold the complaint. Mr O remained dissatisfied, 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 23 February 2023 as follows:

I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. This means that it isn't within my remit here to declare that Starling have acted in a non-regulatory or unlawful way. Such declarations would be for a regulatory body or a Court of Law to potentially make.

Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has

occurred – after taking all the circumstances and factors of a complaint into consideration.

In this instance, having reviewed all the information available to me at this time, I don't think that Starling's actions in defaulting M's BBL were fair.

One reason I say this is because, having been asked by this service to specify exactly why the BBL was considered to have defaulted, Starling explained that the act of default was the BBL loan payments that had been missed by M on the account.

I find Starling's explanation here to be problematic for several reasons. Firstly, M's BBL account wasn't in arrears when Starling issued the notice to M that an act of default had occurred on the BBL, which they did on 26 January 2022. And all payments due on the BBL prior to Starling sending the letter to M had been made on time, apart from the December 2021 payment, which had been missed by M on 27 December 2021, but which was paid by M the next day, on 28 December 2021.

As such, Starling appear to have taken the decision to default M's BBL here because one payment had been made one day late. This is unfair by any reasonable standard and doesn't conform to the industry accepted guidelines for defaulting accounts as laid out by the Information Commissioner's Office ("ICO").

Mr O has always contended that no act of default occurred on the BBL, and given the information available to me, I agree. As such, I'm provisionally upholding this complaint in M's favour and instructing Starling to reinstate the BBL within 30 days of the date of any future final decision I may issue on this complaint which confirms this instruction. Starling must also then allow M a further 30 days to reset the monthly payments towards the BBL from its bank account before the first payment towards the reinstated BBL should be due.

Starling must also take any action necessary to ensure that M's BBL can benefit from the PAYG option M applied for shortly before Starling unfairly defaulted the BBL account.

Additionally, Starling must also reimburse to M the money it offset from M's BCA towards the unfairly defaulted BBL balance, along with 8% simple interest on that amount calculated from the date of offset to the date the amount is reimbursed to M.

Mr O has explained that he feels M incurred losses because of the BBL being unfairly defaulted by Starling. This includes that a contract for consultancy services was lost because of the defaulted BBL appearing on M's credit reporting.

I've carefully considered what Mr O has said about M's consequential losses, but I don't feel there is sufficient evidence to support M's claim. I say this because while Mr O has explained what happened, he hasn't been able to provide any evidence of this lost contract, such as any pre-contract negotiation documents or an official confirmation from the company in question that it did withdraw from the contract specifically and only because of the presence of the defaulted BBL on M's credit reporting. Similarly, an invoice supplied by Mr O for legal expenses incurred by M in dealing with Starling lacks the detail required to confirm that this cost was incurred by M solely as a consequence of Starling's unfair actions.

As such, my provisional instructions to Starling here won't include that they must reimburse M for these claimed consequential losses as M would like. However, I am

satisfied that M has incurred ongoing significant inconvenience and disruption by Starling's actions surrounding the unfair defaulting of the BBL, and so my instructions here will include that Starling must pay compensation to M of £450, which I feel fairly compensates M for the impact of these events and the trouble and inconvenience it has been unfairly and unreasonably subject to here.

Starling didn't respond to my provisional decision. However, Mr O did respond and asked for my instruction to Starling to include that the balance of M's BBL should be written off. However, M has received the BBL balance and had the benefit of it. In such circumstances, it will almost always be the position of this service that it's fair that the recipient of a loan amount should repay the money that it's received. And I see no reason why this shouldn't be the case in this instance.

As such, I'm satisfied that my provisional instruction – that Starling must reinstate the BBL and allow M to repay the outstanding balance in line with the terms of the agreement – is a fair outcome here. And it would also be expected, once the BBL has been reinstated in line with my instructions, that Starling would resume normal credit file reporting for the BBL.

Mr O has also provided further documents in support of the claim for consequential losses that he's made. I'd like to thank Mr O for providing these further documents. However, upon consideration, I don't feel that they provide sufficient proof that M did incur the consequential losses that Mr O is claiming here, and so I won't be upholding this aspect of M's complaint.

The reason I take this position is because Mr O hasn't provided any of the supplementary evidence – such as emails and letters detailing the negotiations of the contract which Mr O seeks to claim against – that this service would expect to be provided in support of such claims and which were requested by us. Additionally, despite this service reaching out to the third-party company involved in the contract with M, none of the documents or information that this service has received have been provided by that third-party company directly, but instead have been provided by Mr O himself.

In this absence of this direct confirmation from the third-party company as well as the absence of supporting supplementary documents, I don't feel that sufficient information has been provided to enable me to conclude to a requisite degree that M have incurred the consequential losses that Mr O claims here, such that I would consider issuing an instruction to Starling for them to reimburse the claimed amount to M.

It may be possible for M to pursue this aspect of its complaint via alternative channels, and this final decision shouldn't be considered as construing anything beyond or other than my own professional opinion on this matter, taken in light of the specific information and evidence provided to me at this time.

All of which means that my position on this complaint remains as I've explained it in my provisional decision above. And it therefore follows that I'll be upholding this complaint in M's favour on that basis accordingly.

Putting things right

Starling must reinstate M's BBL within 30 days of the date that M accept this final decision, should M choose to accept it.

Starling must then give notice of the reinstated BBL to M and allow M a further 30 days to reset the monthly payments towards the BBL from its bank account before the first payment towards the reinstated BBL should be due.

Starling must amend M's credit file to remove any adverse reporting, including the default, for the time period in question. In short, M should not incur any adverse credit file reporting as a result of Starling's actions here.

Starling must also take any action necessary to ensure that M's BBL can benefit from the PAYG option M applied for shortly before Starling unfairly defaulted the BBL account.

Starling must also reimburse to M the money it offset from M's BCA towards the unfairly defaulted BBL balance, along with 8% simple interest on that amount calculated from the date of offset to the date the amount is reimbursed to M.

Finally, Starling must make a payment of £450 to M as compensation for the inconvenience that M has incurred here.

My final decision

My final decision is that I uphold this complaint against Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 14 June 2023.

Paul Cooper
Ombudsman