

The complaint

A company, which I'll refer to as P, complains that Starling Bank Limited unfairly closed its bank account, defaulted its Bounce Back Loan (BBL) and used the balance of its bank account funds to repay part of the BBL debt. P also complains that the bank hasn't provided historic statements of its account.

What happened

P had an existing bank account with Starling. In March 2021, P successfully applied to Starling for a £50,000 BBL and the funds were paid into the P bank account.

BBLs were designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak. Under a government-backed scheme, lenders could provide a loan with a six-year term for up to 25% of the customer's turnover, subject to a maximum of £50,000.

In August 2021, P's shares were transferred to a new owner who became the company's director. I'll refer to him as Mr M1. He contacted Starling in order to take over the running of P's account, but the bank declined to accept him. Starling said this was because of matters arising from identity, fraud and credit checks.

Starling went on to default the BBL, to restrict the company's access to the bank account and eventually to close the account. In February 2022, Starling set off £20,378.60 from P's bank account to repay part of the remaining balance on the BBL.

During these events, a family member, who I shall call Mr M2, also became a director of P. Starling did allow Mr M2 access to the account.

P complained about the bank's actions regarding its bank account and the BBL. Mr M1 also said Starling hadn't provided bank statements that the company could access, with the result that P couldn't submit its accounts to Companies House.

I issued a provisional decision in which I said I was minded to direct Starling to provide P with statements of its bank account. But I didn't think it was unfair or unreasonable of Starling to default the BBL or to use P's remaining bank account funds to reduce the BBL debt, so I wasn't minded to require the bank to do anything further. I explain my reasons in summary below.

In response to my provisional decision, Starling said it would be happy to provide copies of statements.

P disagreed with my findings. Its director said he remains bitterly disappointed, and he made a number of points which I also summarise below.

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.

In the light of P's disagreement with my provisional findings, I've looked again at the evidence. I'm sorry to disappoint P's director, but after careful consideration, I haven't changed my view.

Bank account restriction and closure

I think Starling's decision to restrict then close P's bank account was reasonable. Mr M1 was a new owner and director applying to take over the running of an existing company account and, in the circumstances, the bank was entitled to run security and credit checks. Mr M1 didn't pass those checks. As a result, Starling wasn't willing to continue the banking relationship with P with Mr M1 as primary user of the account. I don't think the bank's decision was unreasonable or unfair.

Mr M1 says the problem identified in Starling's checks was simply an incorrect date of birth on Companies House, which was soon corrected. But from the evidence I've seen, I'm satisfied that the bank had wider concerns than the information filed at Companies House.

I realise that after Starling declined to add Mr M1 to the account, Mr M2 was appointed as a second director and the bank did give him access to the account. But in my view, Mr M2's involvement didn't change the fact that Starling already had security concerns about Mr M1. These led Starling to restrict then close the account and I don't think the bank was unfair or unreasonable to act on its concerns.

The BBL

The BBL was agreed between Starling and P when the company was under its previous ownership and management. As a result of Mr M1 taking over the company, he became P's Person of Significant Control, as registered at Companies House. The BBL agreement lists a number of potential acts of default, including a change in the company's Persons of Significant Control.

Starling has said that it doesn't automatically default loans when there's a change of ownership – rather, it says it considers cases individually. The bank defaulted P's BBL because of its concerns over the new Person of Significant Control and broader concerns about the risk of keeping the loan open.

Given that Starling had security concerns, which had already led it to decline to add Mr M1 to the bank account, I don't think it was unreasonable for the bank to use its contractual right to default the BBL under the terms of the loan agreement.

At that time, the entire loan balance was still outstanding, and the bank would have assessed the risks it would face in leaving the loan running in the new circumstances. I think it was reasonable to regard the lending risk as having changed with the new ownership and management of the company.

In other words, the ownership and control of the company had changed entirely since the drawdown of the BBL, and the bank wasn't happy with level of risk that it perceived to be associated with the new owner. I don't think it was unfair or unreasonable for the bank to bring the loan agreement to an end and to seek repayment. Again, I don't think the presence of Mr M2 as a second director makes any difference to this.

There was a substantial sum in P's bank account with Starling, equivalent to about 40% of the BBL debt which the bank was requiring P to repay. In the circumstances, the bank was

entitled, under its right of set-off, to use the funds held in the bank account to reduce the balance of P's BBL debt, and I don't think it was unfair to do that.

For the above reasons, I don't think Starling's actions regarding the BBL were unreasonable or unfair.

Historic statements

Starling failed to provide historic bank statements which P had requested, and the bank hasn't given a reasonable explanation for this.

P has said that, without the statements, it hasn't been able to submit its account filings to Companies House, putting the company in danger of strike-off action. But I note that the accounts that are late are those for the company's financial year ending in July 2021, which was before the company changed hands, so I would expect the company already to possess the required information for that period.

In response to this, Mr M1 says that on the same day that he applied to take over the bank account, the company's previous owner left the account. As a result, he says the previous owner was unable to obtain any statements for preparing the company accounts. That may be true, but it's still my view that a company would usually possess information on its assets, income and expenditure for the most recent complete financial year prior to its sale to a new owner. If that wasn't the case here, I don't think I can reasonably hold the bank responsible for P not having the information now.

I note that the company's confirmation statement is also late, and my understanding is that no accounting information is necessary for that submission. Mr M1 says he felt it would be strange to submit this statement and not the accounts. But the requirement to submit a confirmation statement is clear, irrespective of the company accounts submission. This strengthens my belief that the bank shouldn't be held responsible for the lateness of P's filings at Companies House, or for P being at risk of strike-off action.

Nevertheless, noting that P's accounts for the year ending in July 2021 have still not been submitted to Companies House, I believe it would be of practical assistance for the company to receive bank statements reaching back to cover that year. I think P's request for the statements is reasonable. I'm therefore directing Starling to provide P with bank statements covering the period from the beginning of August 2020 up to the date the account was closed..

My final decision

My final decision is that I direct Starling Bank Limited to provide P with statements of its bank account from the beginning of August 2020 up to the date the account was closed. The statements should be sent by post to the company's address. In all other parts of this complaint, I don't require Starling to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 27 June 2023.

Colin Brown
Ombudsman