

The complaint

A company, which I'll refer to as P, complains that it was mis-sold a Bounce Back Loan (BBL) by The Royal Bank of Scotland Plc, and that the bank is unfairly holding it responsible for repayment of the loan.

What happened

In October 2020, P successfully applied for a £10,000 BBL from RBS.

BBLs were part of a government-backed scheme, designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak.

In June 2023, P complained to the bank about the BBL. Its director, Mr H, said the loan had been mis-sold. In response, RBS said there was no evidence of mis-selling. The bank said Mr H had submitted the self-attested application and agreed to the terms of the loan. Unhappy with the bank's response, P referred its complaint to us. Mr H said he'd been persuaded by the bank that the loan would be good for the company, but he felt it wasn't, and P was paying back the loan and interest but didn't receive any benefit from the loan.

Our investigator looked at the evidence and concluded that the bank hasn't acted unfairly. She gave the following reasons, in summary:

- The loan was applied for via online banking, so the investigator couldn't see that any advice was given. She listened to recordings of the calls that took place during this time and there was no evidence of the bank pressuring the director to apply for the loan. There was a call where he was frustrated with the bank when it initially declined the first BBL application. So, the investigator thought RBS acted fairly when it accepted the second BBL application.
- Under the terms of the BBL scheme, applicants were required to self-declare that they met the eligibility criteria. The investigator therefore thought it was fair for RBS to rely upon the information provided in the application when making its decision.
- Given that P had had the benefit of the money, it was fair for it to be repaid in line with the terms of the agreement under which it was provided.

P didn't accept the investigator's findings. Mr H made the following points, in summary:

- P didn't need the BBL, so it was mis-sold. The loan just put more debt on P.
- P didn't benefit from the funds, as the company never used the loan. P never touched one penny.
- The BBL was advised online by an RBS business adviser, in a banking Zoom session with Mr H in March 2021.

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'm sorry to disappoint Mr H, but I've reached the same conclusion as the investigator, and for largely the same reasons.

I've listened to the available call recordings and there's no evidence that RBS put any pressure on Mr H, or advised him to take the loan. The calls are mainly about a technical difficulty P was facing when applying for the loan, arising from the way the bank was dealing with information registered at Companies House. It's clear from the calls that P wanted the BBL and that Mr H felt that the bank was holding things up unnecessarily. Eventually the technical difficulty was overcome, and the loan was agreed by both parties.

Mr H said the bank gave the advice in a Zoom call on 19 March 2021. But by that date, P had already applied for and received the BBL – five months earlier, in October 2020. I've considered whether there might be an error here regarding the year, and that Mr H meant that the call was on 19 March 2020. But in March 2020, the BBL scheme hadn't yet been announced by the government, so it's not possible that the bank could have advised Mr H about it at that time. I'm therefore not persuaded that the bank advised Mr H to take the loan in a Zoom call, either in March 2021 or March 2020.

Mr H says that P didn't use the BBL funds. I should point out that if P hadn't used the funds, the company would have been free at any time to return them to the bank and thereby clear the debt, and no further payments – capital or interest – would have been required. The BBL scheme had no early repayment penalties. But in any event, having looked at the evidence, I don't agree with Mr H that P didn't use the funds. I'll explain why.

I've looked carefully at P's business bank account statements. RBS paid the £10,000 BBL funds into P's bank account in October 2020. Before the money was paid in, the balance of the account was just below £5,000. Over the months that followed, the balance varied, with money coming in from P's business activity and money going out for its expenses. By May 2021, the balance had fallen to about £13,000, and by early August 2021 it had fallen below £10,000. It fell below £4,000 during November 2021, and below £2,000 during January 2022. After that, incoming money from P's business activity lifted the balance again to over £14,000 and thereafter the balance appears to reflect P operating normally.

I draw two conclusions from these figures. First, it's clear that P received the BBL funds into its account and used a substantial part of those funds for its expenditure. Secondly, from what I can see, the loan did exactly what it was intended to – it provided P with finance when it was needed, from late 2020 to the end of 2021. Without the BBL funds, it's likely that P's balance would have fallen below zero during the second half of 2021. Even with the support of the BBL funds, P's business bank account balance fell below £2,000. Later, P's finances recovered.

I therefore agree with the investigator that P has had the benefit of the BBL funds. Moreover, I don't believe that P was unduly burdened by having the BBL – rather, it's my view that the company's survival was assisted by the BBL.

P borrowed the money from the bank, and I think it's fair and reasonable for the bank to expect the company to repay it, with interest, as set out in the BBL agreement.

For all the above reasons, I don't think the bank did anything wrong.

I know that Mr H will be disappointed by my decision and I recognise the strength of his feelings about the complaint. But I don't find that RBS acted unfairly or unreasonably, either when it entered the BBL agreement with P, or in holding P responsible for repayment of the lending and interest.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 26 March 2024.

Colin Brown
Ombudsman