

The complaint

A limited company, which I'll refer to as 'X', is unhappy that The Royal Bank of Scotland Plc ("RBS") gave it incorrect information about how long it could have to repay account balances following the issuance of formal demands.

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

What happened

X had two business loans which were in arrears. On 11 August 2022, RBS issued formal demands for the two loans which gave X 60 days from that date to clear the full outstanding balance of the loans. X complained to RBS, who placed their potential recoveries actions on hold while the complaint was being investigated. RBS issued a response to X's complaint in October 2022.

On 11 November 2022, Mr F contact RBS and was told that RBS would be reissuing formal demands on the two loans which would give X a further 60 days to clear the outstanding balances. However, RBS spoke with Mr F again on 29 November 2022 and said that they wouldn't be reissuing the formal demands, and that because more than 60 days had passed since the issuance of the 11 August 2022 formal demands, RBS could now default the loans at any time. Mr F wasn't happy about this, so he raised a complaint on X's behalf.

RBS responded to X and apologised for incorrectly advising that new formal demands would be issued when that wasn't the case. RBS offered £300 compensation to X for the trouble and inconvenience the incorrect information might have caused. Mr F wasn't satisfied with RBS's response, so he referred X's complaint to this service.

One of our investigators looked at this complaint. But they felt that RBS's response to the complaint, including the apology and the offer of £300 compensation, already represented a fair outcome to what had happened. Mr F 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.

Having done so, 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. 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 – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

I also note that Mr F has provided several detailed submissions to this service regarding X's complaint. I'd like to thank Mr F for these submissions, and I hope he doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I

consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if Mr F notes that I haven't addressed a specific point he's raised, it shouldn't be taken from this that I haven't considered that point – I can confirm that I've read and considered all the submissions provided by both X and RBS. Rather, it should be taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

Mr F is unhappy that he was incorrectly told that RBS would reissue formal demands to X for the two loans, which would have given X a further 60 days from the date of reissuance to clear the loan balances.

I can appreciate Mr F's dissatisfaction here. But it seems clear to me that RBS made a mistake by telling him that formal demands would be re-issued. This is because the formal demands had already been issued on 11 August 2022. And while X had raised a complaint, the act of raising a complaint doesn't invalidate an issued formal demand. In short, the 60-day period given on the 11 August 2022 remained valid regardless of X's complaint.

This means that when RBS spoke with X on 29 November 2022 and explained that the formal demands wouldn't be reissued, RBS were correcting their mistake and providing X with an accurate explanation of the status of their loan accounts at that time.

Notably, while RBS explained to X that they were now within their right to default X's loans at any time – given that more than 60 days had elapsed since the 11 August 2022 formal demands – they didn't do this. And X was able to clear the outstanding balances owing on the loans without the loans in December 2022 and January 2023 respectively.

I feel that by allowing X such a long period of time to clear the loan balances, that RBS as provided X with significant forbearance. This is because the 11 August 2022 formal demands gave X until 10 October 2022 to clear the balances. As explained, this date remained valid regardless of X's complaint. And while RBS suspended collections activities while it looked at X's complaint, it was only a suspension.

As such, it was incumbent on X to have made the necessary arrangements to be able to clear the loan arrears immediately when RBS issued its response to the complaint – if that response was issued after the 60-day period had expired and didn't result in the formal demands being rescinded – both of which were the case in this instance. This means that RBS were reasonably entitled to resume recoveries activity immediately following the issuance of their response to X's complaint on 14 October. But RBS didn't do this, and instead they allowed X a further two and three months respectively to clear the loan arrears.

Accordingly, I don't feel that there has been any significant impact to X resulting from the incorrect information as Mr F contends here. I say this because, while X was given incorrect information about the reissuance of the formal demands, that incorrect information was given to X at a time when RBS were already reasonably entitled to immediately default X's loan accounts. This appears to have had very little tangible effect on X because the risk of immediate default already legitimately existed, and also because RBS didn't actually default X's loan accounts, as previously explained.

RBS have offered £300 compensation to X for the trouble and inconvenience X may have incurred because it was incorrectly told that the formal demands would be reissued. This seems fair to me, and I don't feel that RBS should be fairly instructed to pay the significantly larger sum that Mr F has requested here, or indeed, any further compensation amount at all.

Finally, I note that Mr F has argued that he had contacted RBS to clear the loan arrears before the formal demands were issued, and that RBS promised to get back in touch with him about this but failed to do so, with the next correspondence received from RBS being the two formal demands.

Mr F has also explained that it's unknown whether RBS did attempt to call X back because RBS usually call on withheld numbers and that X has a policy of not answering such numbers. But if X was aware that RBS had promised to contact it about the important issue of the arrears on the loans, it seems reasonable and obvious to me that X should have made an exception to their policy and answered the calls that RBS have confirmed that they did make to X during that time – regardless of the fact that the calls were being received from withheld numbers.

But X didn't do this, and neither did it attempt to recontact RBS itself, as I also feel it reasonably should have done, if it wasn't answering the phone calls it was receiving. I therefore don't agree with Mr F's assertion that RBS failed to contact X via reasonable channels, because I'm satisfied that RBS did attempt to contact X via a reasonable channel – by telephone – and that X should fairly be considered accountable for not answering those calls or proactively reconnecting with RBS. And this is especially the case given that it was understood by X that its loan accounts were in arrears in that time.

All of which means that, while I will be upholding this complaint in X's favour, I'll only be doing so to instruct RBS to pay the £300 compensation to X that they've already offered to pay and which I'm satisfied fairly resolves this complaint. And I won't be issuing any further instructions to RBS beyond this.

Putting things right

RBS must make a payment of £300 to X.

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 X to accept or reject my decision before 22 December 2023.

Paul Cooper
Ombudsman