

The complaint

A limited company, which I'll refer to as 'V', is unhappy with several aspects of the service it received from Starling Bank Limited surrounding its Bounce Back Loan ("BBL").

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

What happened

Mr D applied to Starling for a BBL on V's behalf. The application was successful, and V received the loan funds shortly thereafter. However, several months later, Starling defaulted V's BBL as they felt that V had never been eligible to receive it. Mr D wasn't happy about this, and he also wasn't happy that Starling had used money that had been present in V's business current account to reduce the balance outstanding on the BBL. So, he raised a complaint on V's behalf.

Starling responded to Mr D and explained that they'd seen that V had filed dormant company accounts which meant that it hadn't met the trading eligibility requirements for the BBL scheme. Because of this, Starling didn't feel they'd done anything wrong by defaulting the account on that basis, or by using the money that had been present in V's business current account to reduce the outstanding BBL balance. Mr D wasn't satisfied with Starling's response, so he referred V's complaint to this service.

One of our investigators looked at this complaint. They didn't feel that Starling had acted unfairly by managing the situation as they had and so didn't uphold the complaint. Mr D 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 October 2023 as follows:

The eligibility criteria for the BBL scheme included that an applicant business had to have been trading on 1 March 2020. And, by Mr D's own admission, V wasn't actively trading on that date and so didn't meet the scheme eligibility criteria.

Because of the unique circumstances that led to the formation of the BBL scheme by the UK Government – specifically, the global emergence of the Covid-19 pandemic – the UK Government asked lenders such as Starling to process received applications quickly, so that BBL money could be provided to eligible applicant businesses without unnecessary delay.

Because of this, lenders such as Starling weren't expected to check or verify the information provided by businesses at that point of application. Rather, it was the responsibility of the business to have understood the eligibility criteria for the scheme and to have confirmed to the lender it was applying to that it met those eligibility criteria at the point of application.

In this instance, Mr D stated on V's BBL application to Starling that V was trading at the time of the application and had annual turnover of between £750,000 to £1,000,000. But this wasn't the case, and as explained above, the truth of the matter was that V wasn't actively trading on 1 March 2020 and had zero turnover and so wasn't eligible to receive the BBL that Mr D applied for on its behalf.

Mr D notes that businesses who hadn't yet traded could use projected turnover as per the BBL scheme rules. But the facility to use projected turnover was only available for businesses who were incorporated after 2019. And because V was incorporated in 2015, it didn't meet the criteria as per the BBL scheme rules for projected turnover to be used.

Mr D argues that the BBL application and associated eligibility criteria information wasn't clear. But I don't agree, and I feel that the accountability for Mr D making an illegitimate application for a BBL for V rests with Mr D.

As such, I don't feel that Starling have acted unfairly by defaulting V's BBL on the basis that it was applied for illegitimately as they have. This is because, ultimately, V wasn't entitled to receive the BBL it applied for.

I also don't feel that Starling did anything wrong by using the money present in V's business current account to reduce the BBL balance that remained outstanding. This process is known as 'offsetting' and is permitted by the terms of the BBL which Mr D accepted on V's behalf. And it also strikes me as being fair that a business that has received money it wasn't entitled to receive should be compelled to reduce the balance of that lending as much as possible via the process of offsetting once it's realised that the lending is illegitimate.

Mr D also explains that when he made the BBL application to Starling on V's behalf, that Starling asked him to provide further information to them for their consideration before they approved V's application. And Mr D notes that in response, he provided V's business plan to Starling, which clearly demonstrated that V was starting up as a business and hadn't yet traded – which Starling then considered before approving V's BBL application.

I've asked Starling about this point specifically, and Starling have confirmed that they did receive V's business plan and did consider it before approving the loan application. I've also reviewed V's business plan and I'm satisfied that it's clear from that plan that V didn't meet the criteria for it to be eligible to receive a BBL.

While this doesn't absolve Mr D of his responsibility as V's director to have understood the eligibility criteria of the BBL, I do feel that Starling missed an opportunity that it reasonably should have taken to have corrected any misunderstanding that Mr D may have had about the eligibility criteria of the BBL scheme and to have not approved the BBL application submitted by V. And I feel that V has incurred a degree of trouble and inconvenience that it reasonably shouldn't have incurred here, because of Starling's failure to act on the information they've confirmed that they received and considered.

Because of this, I'll be provisionally upholding this complaint in V's favour and instructing Starling to make a payment of £200 to V as compensation for the inconvenience and trouble it's unfairly incurred.

However, I also confirm that my provisional upholding of this complaint on this limited basis doesn't affect my position on the other aspects of V's complaint that I've discussed above. These include that I continue to feel that Starling didn't act unfairly by defaulting V's BBL for the reason it did or by using money present in V's business current account to offset the balance outstanding on the defaulted BBL. And I can confirm that the only provisional instruction that I make to Starling is that they must pay £200 compensation to V, as

explained above.

Mr D responded to my provisional decision and reiterated that he feels that the onus was on Starling to have checked the eligibility of his BBL application, especially following the submission of his business plan. However, I continue to disagree, and as explained in my provisional decision letter, I'm satisfied that the terms of the BBL scheme included that it was the applicant's responsibility to have ensured that they were eligible to receive the loan they were applying for. Indeed, I feel that this is the key point of this complaint: V wasn't eligible to receive a BBL, and it was Mr D's responsibility to have understood that.

Mr D also feels that it wasn't the case that he declared V's annual turnover as being £750,000 to £1,000,000, and that Starling have made a mistake in this regard that casts him in a bad light. But the information provided by Starling shows that this was the turnover figure they assessed on the BBL application. And even if Mr D did declare a lower turnover amount for V that this, the truth remains that D had zero turnover at that time, such that any declaration of turnover for V was incorrect.

Mr D has also asked me to reconsider instructing Starling to reinstate his bank account and he's as explained that he doesn't feel that the £200 compensation I provisionally instructed provides fair compensation for the stress and anxiety that he's incurred here.

But I can only reiterate what I explained in my provisional decision letter, which is that, ultimately, I feel that it is Mr D himself who is the primary cause of the situation here, because he applied for a BBL that V weren't eligible for and because he included incorrect information in V's BBL application. And because of this, as explained, I'm satisfied that Starling's actions in terminating the BBL and offsetting the BBL balance with money held in V's business current account was fair.

And while I will be instructing Starling to make a payment of £200 to V, this is instructed as compensation solely for Starling missing the opportunity to recognise that V's application was invalid sooner than it did. And for that single, isolated event, I continue to feel that £200 is a fair amount.

Finally, as explained in my provisional decision letter, my instructing this compensation doesn't in any way affect my position that Mr D should fairly be considered responsible for how events unfolded here because he provided inaccurate information on V's BBL application and obtained a BBL for V that V wasn't eligible to receive. And so, if Mr D has incurred anxiety and worry because of what happened here, I feel that these are largely the consequences of his own mis-actions, and so not something that Starling should fairly be asked to compensate him for.

All of which means that my position on this complaint remains the same as described in my provisional decision letter. And I therefore confirm that my final decision is that I uphold this complaint on the limited basis as described in my provisional decision letter accordingly.

Putting things right

Starling must make a payment of £200 to V.

My final decision

My final decision is that I uphold this complaint against Starling Bank Limited on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask V to accept or reject my decision before 19 December 2023.

Paul Cooper
Ombudsman