

## **The complaint**

Mr K, a sole trader, is unhappy that TSB Bank plc defaulted his Bounce Back Loan (“BBL”)

## **What happened**

In May 2020, Mr K successfully applied to TSB for a BBL for £35,000. Mr K also later successfully applied to TSB for a top-up to his BBL of a further £2,500. TSB administered these loans separately. However, for ease of reference, I will refer to the original BBL predominantly.

In June 2022, Mr K didn’t make the contractually required monthly payment towards his BBL. Mr K didn’t clear the arrears that accrued on his account because of the missed payment. And he later missed two more BBL payments – in October and November 2022 – meaning that his BBL fell three months into arrears.

In December 2022, Mr K spoke with TSB and agreed a six month Pay As You Grow (“PAYG”) payment holiday with them. TSB explained to Mr K that they would hold off taking any further action on his BBL while the PAYG holiday was in force, with the expectation being that Mr K would clear the three months of BBL arrears that had accrued on his account during the six-month payment holiday period.

However, when the PAYG holiday ended in June 2023, Mr K hadn’t cleared any of the arrears on his BBL. Mr K wanted to speak with TSB about his financial position and conduct an income and expenditure assessment with them, but he wasn’t able to find a convenient time to do so. Mr K was then surprised and dismayed to receive a formal demand from TSB, which required the full repayment of his BBL. And because Mr K couldn’t repay the full outstanding balance of his BBL, TSB defaulted his loan for non-payment.

Mr K wasn’t happy about this, and he also wasn’t happy that TSB also moved to close his TSB Business Current Account (“BCA”) and used money held in his BCA to reduce the outstanding balance of his BBL without his permission. So, he raised a complaint.

TSB responded to Mr K but didn’t feel they’d done anything wrong in how they’d managed Mr K’s accounts. Mr K remained dissatisfied, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn’t feel TSB had acted unfairly in how they had handled the situation and didn’t uphold the complaint. Mr K 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 won’t be upholding this complaint. This is because I’m satisfied that Mr K did fall into arrears on his BBL and because I feel that TSB did give Mr K a fair opportunity to clear those arrears before they took the position that he had defaulted on his contractual

loan repayment obligations.

TSB have provided this service with their contact notes for Mr K. These show that following Mr K missing his June 2022 BBL payment, TSB attempted to contact him three times about the loan arrears. These calls took place on 5, 7, and 11 July 2022. On the first and third of these calls, Mr K didn't answer. But on the 7 July call, Mr K did answer but explained that he wasn't able to speak at that time and said that he would call TSB back later himself, which TSB have no record of him then doing.

Similarly, when Mr K missed a second BBL payment, in October 2022, TSB again tried to contact him about this on three occasions – on 2, 4, and 8 November. The first of these calls was answered by a third-party who explained that Mr K wasn't available and that they would let him know that TSB had called. While the second and third calls weren't answered.

Finally, when Mr K missed a third payment on the BBL, in November 2022, TSB once again tried to contact him about the status of his account. On this occasion, TSB were able to speak with Mr K, and on 28 November 2022 Mr K explained to TSB that he had been out of the country but that he wanted to clear the arrears on his BBL within the following two weeks. TSB's agent explained that they would need to conduct an income and expenditure assessment with Mr K to better understand why he had fallen into arrears and what he could reasonably afford to pay to rectify the situation, and a telephone appointment was booked for 30 November to do this.

TSB called Mr K on 30 November as agreed and Mr K explained that rising costs and energy bills had impacted his business. TSB's agent conducted an income and expenditure assessment with Mr K, the results of which were that Mr K had income of £16,500 per month but outgoings of £17,745 per month. This meant that Mr K didn't have any money available to clear or reduce the arrears on his BBL, and because of this TSB's agent agreed to implement a six-month PAYG holiday on Mr K's loan, with the expectation being that Mr K would clear the arrears that had accrued on his BBL during the six-month payment holiday.

However, when the six-month PAYG holiday ended in June 2023 – roughly a year after Mr K had missed the first payment on the BBL in June 2022 – Mr K hadn't cleared any of the arrears on the BBL, meaning that the loan was still three months in arrears.

TSB spoke with Mr K on 7 June 2023, at which time Mr K said that he should be able to make the upcoming BBL payment for that month. TSB booked an appointment to conduct another income and expenditure assessment to update their understanding of Mr K's financial position on 12 June. But an issue with TSB's systems meant that the 12 June call to Mr K couldn't be made. TSB called Mr K on 14 June and apologised for what had happened and Mr K agreed to a rescheduled appointment a week later than planned, on 19 June 2023.

TSB called Mr K on 19 June 2023 as agreed, but Mr K didn't answer. Mr K did try to call TSB back later that day, but he didn't pass TSB's telephone security process which meant that TSB couldn't continue with the call. Additionally, Mr K didn't make the June 2023 BBL repayment that had been scheduled, meaning that his loan was now four months in arrears.

On 22 June 2023, Mr K called TSB and passed their verification process. At that time, Mr K explained that he had sold a car and wanted to make a payment to clear the arrears. But TSB's agent noted that Mr K's credit file showed that he had recently taken a business loan and they explained that they would need to conduct an income and expenditure assessment as previously discussed to ensure that they weren't accepting money from Mr K that he couldn't reasonably afford to offer. TSB arranged a telephone appointment with Mr K for 26 June 2023 to conduct the income and expenditure assessment with him.

TSB spoke with Mr K on 26 June 2023, but Mr K asked to rearrange the appointment for the following day. TSB then called Mr K as agreed on 27 June 2023, but Mr K said that he was busy and couldn't speak.

At this stage, TSB felt that Mr K had made several broken promises and missed several scheduled appointments regarding the loan arrears, and so they made the decision to issue a formal demand to Mr K requiring full repayment of the outstanding BBL amount. Given what I've explained above, this doesn't seem unreasonable to me. And, to reiterate, when TSB chose to issue the final demand to Mr K, his BBL was four months in arrears, had been in arrears for over a year, and Mr K hadn't made a capital payment towards the loan since September 2022.

Mr K feels that TSB should have conducted a second income and expenditure assessment with him as they'd asked to. But while it's true that TSB missed the first appointment they'd scheduled with Mr K because of system issues, TSB had tried to contact Mr K to conduct that assessment on several later occasions that Mr K had agreed to without success.

I also feel that even if Mr K had conducted an income and expenditure assessment with TSB, it's very possible that the result would have been the same here. This is because TSB aren't reasonably expected to allow a loan to remain in arrears indefinitely. And given the opportunities that TSB had already given to Mr K to address the BBL arrears, if it were the case that Mr K again demonstrated to TSB that he couldn't afford to clear those arrears, I feel it would have fair and reasonable for TSB to have issued a formal demand and begun the process to default Mr K's BBL at that time.

Ultimately, as explained, Mr K was in significant and long-standing arrears on his BBL. TSB had tried to contact him about this. But over a year passed from the time that Mr K first fell into arrears without him demonstrating any tangible capacity to rectify the loan's position. And, in these circumstances, including the several broken appointments that took place in June 2023, I don't feel that it was unfair or unreasonable for TSB to issue the formal demand for full repayment of the BBL to Mr K on 28 June 2023 that they did.

Mr K is also unhappy that TSB restricted his BCA and later took money from his BCA and used it to reduce the outstanding balance of his BBL. But the formal demand notice that TSB sent to Mr K on 28 June 2023 explained that if Mr K couldn't repay the full balance of the loan within 28 days, the account would be sent to their recoveries department. And the letter also explained that if Mr K's BBL was sent to TSB's recoveries department, that TSB would move to close Mr K's BCA. And this is a commercial decision that TSB are entitled to make.

Finally, TSB's right to use money in Mr K's BCA to reduce the balance of the BBL in the event of a default is enshrined in the terms and conditions of the BBL, which Mr K agreed to when taking the loan. Accordingly, I'm satisfied that TSB haven't acted unfairly in this regard.

All of which means that I don't feel that TSB have acted unfairly here as Mr K contends, and it follows from this that I won't be upholding this complaint or instructing TSB to take any further or alternative action here. I hope that Mr K will understand, given what I've explained, why I've made the final decision that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 1 May 2024.

Paul Cooper  
**Ombudsman**