

The complaint

A limited company, which I'll refer to as 'M', is unhappy that Metro Bank PLC took money from its business current account ("BCA") to offset against its defaulted Bounce Back Loan ("BBL") balance.

M's complaint is brought to this service by its director, whom I'll refer to as 'Mrs S'.

What happened

M held a BBL with Metro. In December 2021, Mrs S arranged a six-month Pay-As-You-Grow ("PAYG") repayment holiday on M's BBL. This PAYG payment holiday meant that M didn't have to make any payments towards its BBL during the period between January and June 2022, with M's contractual responsibility to make monthly payments resuming in July 2022.

But M didn't resume making its contractually required BBL payments after the PAYG payment holiday ended. This led Metro to issue a final demand to M for full repayment of the BBL in October 2022, and to then default M's BBL for non-payment when no response from Mrs S was received to that final demand.

After defaulting M's BBL, Metro passed the outstanding debt to a debt recovery agency ("DRA"). But the DRA also didn't receive any response to the communication attempts it made to M, and so it passed the debt back to Metro approximately a year later.

Metro then wrote to M on 15 November 2023 and said that they intended to use the money held in M's BCA to offset and reduce M's outstanding BBL debt. Mrs S called Metro upon receipt of this letter and offered to pay £200 per month to Metro to clear M's arrears. Mrs S also asked Metro to not take money from M's BCA. But Metro did then use the money in M's BCA to reduce the amount M owed on its BBL. Mrs S wasn't happy about this, so she raised a complaint on M's behalf.

Metro responded to Mrs S and explained that its right to take money from M's BCA to reduce M's BBL debt was included in the terms and conditions of the BBL agreement. Mrs S wasn't satisfied with Metro's response, so she referred M's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Metro had acted unfairly in how they'd managed the situation, and so didn't uphold the complaint. Mrs S 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.

Mrs S has said she applied for a five-year (60 month) payment holiday on M's behalf and was mistakenly given only a six-month payment holiday by Metro. And Mrs S has explained that it was because she believed that M had been granted a five-year payment holiday on its BBL that she didn't make the BBL payments towards it from July 2022 onwards.

But I don't feel that it was reasonable for Mrs S to have held the belief that M had been granted a five-year payment holiday. One reason for this is because the PAYG payment holidays for which Mrs S applied on M's behalf were limited to six-month terms. As such, the option for M to apply for and receive a five-year payment holiday never existed. And it was Mrs S's responsibility, as director of M, to have understood the term of the payment holiday she had applied for on M's behalf.

Additionally, Metro emailed Mrs S, at the email address Mrs S had registered with them, shortly before the six-month payment holiday came to an end and advised her that M's responsibility to make the contractually required BBL payments would resume in July 2022. And Metro sent further emails to Mrs S on 7, 12, and 21 June which advised that there was no direct debit in place for M to make the contractually required BBL payments that were set to resume.

As such, I'm satisfied that it should have been apparent to Mrs S that M had been granted a six-month payment holiday and that its contractually required monthly BBL payments were due to resume in July 2022. And I'm consequently satisfied that Mrs S's failure to arrange the resumption of M's BBL payments in July 2022 isn't anything for which Metro should fairly be considered in any way accountable or responsible for.

I'm also satisfied that when M didn't make its contractually required BBL payments from July 2022 onwards, that it was fair and reasonable for Metro to consider M to have fallen into arrears on its loan. And I note several emails and letters sent to M by Metro about the deteriorating position of M's BBL during the time after July 2022 that the BBL payments were being missed.

These included a missed payment letter sent on 5 September 2022. And this letter explained that unless Mrs S contacted Metro within 30 days to arrange repayment of M's arrears, that a final demand for full repayment of the outstanding BBL balance may be issued.

But Mrs S didn't contact Metro within 30 days of that letter, as Metro required. So, Metro issued a final demand to M, terminating the loan agreement because M had failed to meet its contractual payment obligations and requiring full repayment of the outstanding BBL balance by M. And, when Mrs S also didn't contact Metro in response to the final demand that had been issued, and with no payments to the BBL also being made, Metro defaulted the loan.

Metro's defaulting of M's BBL under these circumstances doesn't feel unfair or unreasonable to me. I say this because, ultimately, M hadn't met its contractual payment commitments under the BBL agreement. And, as I've explained above, I feel that the responsibility for this can only fairly be ascribed to Mrs S, in her role as M's director.

The terms of the BBL agreement permit Metro to transfer an outstanding defaulted balance to a DRA, which Metro did. But Mrs S didn't respond to any of the communication attempts to M that the DRA made about the outstanding BBL balance, and so the DRA passed M's debt back to Metro in November 2023.

Following this, Metro wrote to M – at the same address to which it had sent all previous letters – and explained that it intended to use money in M's BCA to reduce the balance of M's outstanding BBL debt. And I feel that the fact that Mrs S contacted Metro upon the receipt of this letter confirms that she did most likely receive some or all of the earlier letters that M had been sent.

Mrs S is unhappy that Metro applied their right to offset M's BBL debt by using M's BCA balance. But Metro's right to do so is outlined in the terms of the BBL agreement – to which Mrs S agreed when applying for and accepting the BBL on M's behalf. And, given that M

(and later the DRA) had attempted to contact Mrs S on multiple occasions before Metro moved to take this step, I don't feel that Metro's doing so was unreasonable or unfair.

Mrs S is unhappy that Metro didn't accept her offer of a £200 per month arrears repayment plan that she made. But Mrs S had a prolonged opportunity to engage with Metro and arrange an arrears repayment plan with them – most notably between the resumption of M's contractual responsibility to make the BBL payments in July 2022 and the issuance of the final demand to M by Metro on 4 October 2022.

But Mrs S didn't engage with Metro or make any payments towards M's BBL for nearly 18 months, until she received the letter from Metro advising that funds from M's BCA would be used to offset the BBL debt. And because of this, I'm satisfied that Mrs S made her arrears payment offer to Metro at a time when it was simply too late for it to reasonably prevent the offsetting of M's BBL debt that her prior lack of engagement with Metro had prompted.

Accordingly, I don't feel that Metro have acted unfairly towards M here as Mrs S contends and it follows from this that I won't be upholding this complaint. As explained, this is because I'm satisfied that Metro gave Mrs S fair and reasonable opportunity to engage with them and resolve the arrears on M's BBL before they felt it necessary to enact their contractual right to offset M's BBL debt with the money held in M's BCA. And the fact that Mrs S didn't take any of those opportunities isn't Metro's fault.

I realise this won't be the outcome Mrs S was wanting. But I hope that she'll understand, given all that I've explained, why I've made the final decision that I have.

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 M to accept or reject my decision before 27 May 2024.

Paul Cooper
Ombudsman