

The complaint

A limited company, which I'll refer to as B, complains that Metro Bank PLC's poor communications about its bounce back loan ("BBL") led to the loan being put into default.

B is represented by one of its directors, Mr W.

What happened

B took out a £40,000 BBL with Metro.

In 2022, B missed some monthly payments on its BBL.

By September 2022, B's BBL was three payments in arrears. Mr W contacted Metro and a six month interest only Pay As You Grow ("PAYG") repayment holiday was put in place. At the same time, he made an agreement with Metro to repay the arrears on the BBL at £50 per month.

B made the agreed £50 payments towards the arrears for six months. It resumed making full repayments on the loan from April 2023, but it stopped making any payments to clear the arrears.

The bank sent B a letter saying they had "not received the last payment" on 29 April 2023.

On 10 May 2023, the bank sent B an email headed "Your remains in arrears". It was undated and didn't contain any data specific to B's loan. The bank also sent a formal demand for the full balance of the loan on the same day.

On 30 May 2023, Metro sent B a final notice saying the BBL had been transferred to external debt collectors.

B complained about the bank's communications and asked Metro to cancel recovery action. In particular, Mr W said the 10 May incomplete email had all the indications of a scam. He was concerned it might be fraudulent, so he emailed B's account manager at Metro to query this, but she didn't respond. Mr W chased again a week later.

Metro upheld the complaint point about the incomplete letter and apologised for this. They explained the emails to B's account manager had gone unanswered because she had left Metro. But they didn't uphold the main complaint about the BBL being transferred to a debt collection agency. They said that, although the 10 May email was unfinished, they'd sent enough other letters and text messages to alert B.

Mr W referred B's complaint to the Financial Ombudsman. He said that B had intended to clear the remaining arrears, but he had overlooked this. He said that Metro's communications were unclear and had therefore failed to remind him about the arrears. Had they reminded him explicitly, he would have taken action.

I issued a provisional decision on 5 March 2024. I provisionally upheld the complaint and said, in summary:

- Both sides agreed that B's BBL remains in arrears and that B is responsible for correcting this position.
- Mr W's position was, in essence, that he had fully intended to make good the arrears, but they slipped his mind amidst everything else going on with his business. He accepts that this was an error on his part, but says that Metro's unclear communication then failed to alert him to the situation until it was too late.
- In September 2022, Metro wrote to B. The letter was headed "Your Bounce Back Loan remains in arrears" and it said that if they didn't hear from B in the next 30 days, they would send a formal demand letter.
- In early October 2022, Mr W had a detailed conversation with Metro, in which a term extension and an interest only PAYG period were put in place. A plan to repay the arrears was also agreed at £50 per month, although Mr W was made aware that this would need to increase this amount to clear the arrears in full within a year.
- In March 2023, the telephone conversation with B's employee included a reminder of the amount of the arrears and that £50 would not clear them within twelve months. This was in my view the last clear communication from Metro until the formal demand.
- In April 2023, B had resumed paying its full monthly loan repayments of around £390. But it omitted to pay anything towards the arrears, which still stood at around £2,000.
- In their response to B's complaint, Metro had said that their Collection teams sent a text message and a letter on 25 April 2023. As far as I could see, this was incorrect. Metro had now said that no SMS messages were sent. In fact, what they had sent was a letter on the 29 April 2023 and an email on 10 May 2023.
- Metro's 29 April letter began "We're writing to let you know that we have not received your last payment". The letter did not specify to which payment they were referring or mention BBL arrears. Mr W said that, as he knew B had made its full BBL repayment that month, he thought the letter must be a bank error and took no action.
- The next communication, on 10 May 2023, was the incomplete email. I thought it likely that this was supposed to have had the details filled in via an automatic "mail merge" function. As it was, it contained no specific information relating to B at all, rendering it largely meaningless. Mr W thought it might be a phishing email and I didn't think this was unreasonable, since messages with no personal data are exactly what people are told to look out for.
- I agreed with Mr W that his response to this incomplete message showed good faith. He didn't just ignore it, but instead immediately contacted his one named contact at Metro by email to ask her to have a look at it. His message included "the account was topped up on 5 May so we should be in funds for the bank's bounce back loan calls". He chased for a response a week later.
- Mr W received no responses to these emails, because Metro said the employee he emailed had left the organisation. Metro have suggested that an undeliverable notification should have come back from the email address. They haven't provided any evidence that this was in place and my current view was that it was more likely than not that there was no notification. I say this because Mr W was awaiting a response and chased for one after a week.

- In any case, on the same day as the incomplete email, Metro issued a formal demand, declaring the loan in default and the entire balance therefore due. This meant that the second incomplete communication was in any case too late for Mr W to have taken any action to avoid Metro declaring an event of default.
- I had therefore seen evidence of only one communication or attempted communication, the 29 April letter, between the missed arrears payment and the formal demand. Although there was a telephone conversation in March, I was minded to think that this was not enough, especially as the letter of the 29 April did not mention the arrears. I said this partly because the BBL agreement said that if an event of default occurred, the bank would “give you advance notice and ... the opportunity to fix the problem...”
- I thought it would have been reasonable for the bank to have given B a chance to put things right before issuing the formal demand, for example, by sending a letter similar to the one Metro sent in September about the loan arrears, which was clear and gave B 30 days to take action. I thought this would then have reminded Mr W of the arrears. I thought it more likely than not that he would then have cleared these arrears, as he had said he intended to do.
- I thought it was relevant here that this was not a case of a customer who had disengaged and was not paying anything. B had resumed paying instalments of £392 in full from April 2023.
- Instead of resuming full repayments, B could have taken out a further six months interest-free PAYG option, reducing its payments to £65. It could then have used the remainder of the £392 to go towards the arrears. This would have cleared the arrears in full within six months as required by Metro.
- I thought this indicated that B’s failure to pay the arrears was an oversight rather than an unwillingness or inability to pay.
- I acknowledged that BBLs were set up in a hurry in order to get money to the businesses that needed it fast and with minimal process. This meant that banks relied more heavily on automated systems than they did with most other business loans and weren’t always able to include the checks and balances that would usually be in place. That worked fine most of the time, but I thought it had resulted in an unfair outcome here.
- To put things right, I thought it would be fair and reasonable to give B another chance to put the loan in order. My provisional intention was therefore to direct Metro to take the loan back from the external debt collection agency and send B a clear letter explaining the amount of the arrears in order to reach an agreement to get the BBL back in order.
- I thought Metro should permit B to access its remaining PAYG options and also adjust B’s record with credit reference agencies, so that it still showed the arrears but not the event of default in 2023 or any events thereafter. And I provisionally intended to award compensation of £300 for the inconvenience to B.

Mr W responded to say he was happy to proceed on the basis I had proposed. Metro did not respond.

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, and in the absence of any new arguments or evidence, I haven't been persuaded to change my provisional view. I am therefore upholding this complaint.

My conclusion remains that Metro have not acted fairly here by making only one attempt to contact B between the missed arrears repayment and the formal demand, particularly given that the one communication was in my view unclear.

Given that B had resumed making full monthly repayments on the BBL and the BBL agreement said that the bank would give an opportunity to fix an event of default, I don't think Metro did enough. I consider it more likely than not that if Metro had contacted B and reminded it of the outstanding arrears, B would have corrected the position and brought the loan back into order.

Putting things right

My aim here is to put B back in the position it was in before Metro's communication errors led to the formal demand. Put simply, I am directing Metro to give B another chance to put the loan in order.

Metro should therefore recall B's BBL back from the external debt collection agency and send B a clear letter explaining the amount of the arrears (including any payments missed since the loan has been with the debt collectors) and what B needs to do to clear the arrears.

Metro should permit B to access any remaining unused PAYG options whenever it wants, as it would have been able to do before the formal demand. Metro should also adjust B's record with the credit reference agencies, so that it still shows the arrears but not the event of default in 2023 or any events thereafter.

I also consider that B has been inconvenienced by Metro's poor communications, which have taken up the director's time that would otherwise have been spent in running the business, including seeking new investors. I am awarding compensation of £300 for this inconvenience to B.

My final decision

I uphold this complaint and direct Metro Bank PLC to pay B compensation of £300 and put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 22 April 2024.

Louise Bardell
Ombudsman