

The complaint

A company, which I'll refer to as M, complains that National Westminster Bank Plc unfairly required repayment of an overdraft and a Bounce Back Loan (BBL). M also complains that the bank removed its relationship manager in 2022, leaving the company unable to contact a manager with decision-making powers.

What happened

M banked with NatWest, and in May 2020 the company successfully applied for a £50,000 BBL.

BBLs were designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak. Under a government-backed scheme, lenders could provide a loan with a six-year term for up to 25% of the customer's turnover, subject to a maximum of £50,000.

M also held a £20,000 business overdraft facility, which was due to expire on 1 July 2023. During June 2023, NatWest wrote twice to M asking the company to make contact to discuss the overdraft. There was no contact from M. NatWest ended the overdraft facility and on 14 July 2023 issued a formal demand for repayment. The bank also issued a formal demand for repayment of the BBL. In August 2023, the collection of the debt was passed to an agency. M then complained to NatWest.

NatWest didn't change its position and said that its termination of the overdraft and the BBL was in line with the account terms and conditions. M referred its complaint to us. Its director said he wasn't given any information about the expiring overdraft until August 2023, and he was unhappy that the company hadn't had a relationship manager for about 18 months.

To resolve matters, M wanted NatWest to reinstate its facilities, including a 6-month repayment holiday on the BBL, and to make a payment plan.

Our investigator looked at the evidence and concluded that NatWest didn't need to take any further action. He gave the following reasons, in summary:

- NatWest did remove the relationship manager in 2022, but M still had use of the bank's dedicated business management team. M's director didn't feel the business management team provided what he wanted, but the investigator said the bank had no obligation to provide a relationship manager, and he thought the bank was entitled to make the commercial decision to change the arrangements. The bank gave notice of the change and M had the opportunity to look elsewhere for banking facilities that offered what the company wanted.
- The business overdraft was expiring and the bank wrote to M asking the company to contact one of their specialist teams. M's director says he didn't receive any letters until August 2023. But the investigator said he couldn't fault the bank when it had sent the letters correctly.

- The overdraft expired without a response from M and there had been no attempts to make repayments in the previous two months. Within the terms of the account, the bank was entitled to withdraw the overdraft facility.
- Regardless of the length of M's relationship with the bank, it was the company's responsibility to abide by the account agreements regarding repayments. Although M's director had pointed to the variable pattern of the company's earnings, which caused irregular cashflow, the investigator said multiple payments were missed on the BBL and there were months when no credits were made to reduce the overdraft.
- Under the terms of the BBL agreement, the termination of the overdraft facility was an event of default, which allowed the bank to cancel the BBL facility and to require immediate repayment. The investigator was satisfied that the bank acted reasonably in the circumstances.

M's director disagreed with the investigator's conclusions and made a number of points in response. In summary, his main arguments were as follows:

- The only reason why things went wrong in this case was that NatWest removed M's relationship manager. M had no designated person to deal with and to advise on current business dealings and future cash flow. Previously, M was able to communicate with the bank and inform it about everything that needed to be advised. That's what a small business needs. A call-centre solution doesn't provide sufficient support and isn't fit for purpose. Also, M's director is based abroad, in a different time zone, and dealing with the bank through the call centre is extremely frustrating and annoying.
- When M first took lending from NatWest, it was with the assumption that it would continue under the guidance and support of an experienced bank manager.
- The business was and is a perfectly good going concern. The company never had any issues other than a short-term cash flow issue. In one year M could turn around £500,000 but in some years there may be very little turnover at all. NatWest accepted this position for many years without any problem. M has turned over approximately £30,000 since August 2023. NatWest's actions were too hasty.
- The BBL repayments were behind by two months, but in July 2023 M had applied for a repayment holiday – which was its right – and the missed payments would have been folded into the total balance. The bank now denies this, but at the time it stated the payment holiday had been granted.
- M was also dissatisfied with the bank's handling of its complaint. In particular, the director was initially told that the accounts would be placed on hold for 30 days, but that didn't happen and the recovery action continued.

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.

In addition to reading all the documents submitted by the parties, I've listened to the available phone call recordings related to this complaint, including those with our own staff at the ombudsman service.

Did the bank act unfairly by no longer providing M with a dedicated relationship manager?

M's director says that NatWest simply "went rogue" in 2022 by abruptly ceasing to provide a relationship manager, causing all sorts of issues and problems which led to the current situation.

I understand M's director's argument here – which he has made clearly and with some passion. I have no reason to doubt that had there been a dedicated relationship manager after 2022, M's communications with the bank would have been easier. The loss of the relationship manager was a source of great frustration to M's director.

But having said that, I don't agree that the bank acted unfairly or unreasonably when it changed the arrangements for communication and account management in 2022. NatWest wasn't contractually obliged to provide M with a dedicated relationship manager, and I don't think it was unfair to offer support services in a different way. The bank explained the change and gave notice.

M said the company's borrowing from NatWest was based on the assumption that a relationship manager would continue to be available. But I can't see that the provision of a relationship manager was part of any loan or overdraft agreement. Again, I can understand why M would have preferred the bank to keep things as they were, but I don't think it was unfair for NatWest to move to new account management arrangements.

Did the bank act unfairly when it ended the overdraft facility?

I have little to add to the investigator's comments about the overdraft.

The overdraft facility was due to expire at the beginning of July 2023. NatWest wrote to M in June 2023 about withdrawal of the facility and asked the company to get in touch. In mid-July it sent M a demand for full repayment, saying that unless proposals for repayment were received within ten days, the account would be transferred to the bank's recoveries department. That notice expired towards the end of July 2023 without any contact from M, and the account was transferred to recoveries early in August 2023.

M says that despite cashflow problems, the company's business was a going concern and income has since picked up. But M's overdraft facility had come to an end and the bank received no response when it tried to engage with the company about how the debt would be repaid. In the circumstances, I don't think the bank acted unreasonably.

M says it received no letters before August 2023. But I'm satisfied, from the evidence of the bank's records and copies of the letters, that the bank sent the letters in June and July, and that they were addressed correctly. Even if there were problems with the delivery or with the passing of letters to M's director, I can't reasonably hold the bank responsible for those problems.

Did the bank act unfairly when it ended the BBL?

Again, I have little to add to the investigator's comments.

M's director says that a repayment holiday was agreed in July 2023 and therefore the bank is wrong to say that there were three missed payments. But I've seen no supporting evidence that a repayment holiday was agreed.

The bank's records don't show an application at that time, and M hasn't submitted anything to show that there was an agreement. Without any supporting evidence, I can't say the bank was wrong to continue expecting repayments on the BBL.

But in any event, the bank's demand for repayment of the BBL in July 2023 arose from the default on the overdraft. I'm satisfied that under the BBL loan agreement, a failure to repay another debt to the bank constituted an event of default on the BBL. M hadn't responded to the bank's requests about the overdraft debt and was also behind with its BBL repayments, so I don't think it was unfair or unreasonable of NatWest to regard the BBL as in default.

NatWest's handling of the complaint

I'm unable to look at most of the parts of M's complaint that are about how the bank has dealt with his complaint. That's because the process of complaint handling isn't an activity within the scope of the Financial Ombudsman Service.

M complains that NatWest said it would put the accounts on hold for 30 days when the company first complained, but then it didn't do so. As this is a substantive matter regarding the bank pursuing repayment, I've considered whether the bank acted unfairly.

NatWest said that the hold was a cessation of action while the complaint was being investigated by the bank. However, the investigation was quickly completed and a final response was issued to M, and the hold was therefore lifted.

In my view, the bank's communications could have been better here, as M was under the impression that the hold on action would be for 30 days irrespective of any other developments. But I don't think it led to any material difference in the outcome. M had been given notice that repayment was required and I note that the accounts had already been passed to recoveries and the collection agency before M complained to the bank, so that couldn't have been stopped. M complained to the ombudsman service immediately on receiving the bank's final response.

I therefore don't think any loss arose from M's belief that there would be a longer hold on action, so I can't reasonably ask the bank to compensate the company for its unclear communication.

Summing up

Having looked at the evidence and arguments, I don't find that NatWest acted unfairly or unreasonably when it required repayment of M's overdraft and BBL, transferred the accounts to its recoveries department and engaged a debt collection agency.

Nor do I find that the bank acted unfairly or unreasonably when it ceased to provide M with a dedicated relationship manager.

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 28 October 2024.

Colin Brown
Ombudsman