

The complaint

A limited company, which I'll refer to as 'M', is unhappy that Santander UK Plc defaulted its Bounce Back Loan ("BBL") and with the service it received surrounding this.

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

What happened

M held a BBL with Santander. In September 2022, the contractually required monthly payment to the BBL wasn't made. And M also didn't make the following seven contractually required monthly loan payments, so that its BBL fell into a position of significant arrears.

During the time that M wasn't making its contractually required monthly payments, Santander had several discussions with Mr J about the position of M's loan. But Mr J didn't resolve matters with Santander to their satisfaction, and so on 24 August 2023, Santander issued a formal demand for full repayment of the BBL. And when M didn't fully repay its BBL by the date given in the formal demand for it to do so, Santander defaulted M's BBL. Mr J wasn't happy about this, or with the service M had received from Santander during this time. So, he raised a complaint on M's behalf.

Santander responded to Mr J but didn't feel they'd done anything wrong by administering and defaulting M's BBL as they had. Mr J wasn't satisfied with Santander's response, so he referred M's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Santander has acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mr J 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.

When Mr J applied for and accepted a BBL from Santander on M's behalf, he agreed to the terms and conditions of that loan. These terms included that M was contractually required to make monthly payments towards the loan, after an initial twelve-month deferment period. And these terms also included that if M didn't make the monthly payments toward the loan that were contractually required of it, that an event of default would have occurred.

M didn't make its contractually required BBL payments for several months, beginning in September 2022. Because of this, I don't feel that it was unfair or unreasonable for Santander to have followed the loan arrears process they did here, which ultimately resulted in the defaulting of M's BBL. And this is especially the case given that Santander didn't default M's BBL for approximately a year after M first fell into arrears on the loan, and that during that time, Santander gave M several opportunities to clear the arrears on its BBL and so avoid the defaulting of the loan.

Mr J has said that Santander didn't make him aware that M had missed payments on the BBL and of the arrears that had accrued because of this. But it was Mr J's responsibility, as director of M, to have monitored M's BBL and to have been aware of the status of it, including whether any contractually required monthly payments hadn't been paid.

Additionally, it's clear that Santander did notify M that contractually required BBL payments hadn't been made. And I note letters sent by Santander to M in September, October, November, and December 2022, and in January, February, March, July, and August 2024. Additionally, Mr J also spoke with Santander about M's BBL arrears in October 2022, and in January, February, April, and July 2024. And so, I'm satisfied both that Santander did send appropriate notices to M that its BBL had fallen into arrears, and that Mr J was aware of that fact throughout the period described above.

Mr J has said that M didn't receive several of the letters Santander sent. But I'm satisfied that Santander correctly addressed all the letters it sent to M. Accordingly, if some of the correctly addressed letters weren't received by M, then this isn't something I'd consider holding Santander accountable for, given that the delivery of correctly addressed letters is undertaken by a postal service over which Santander have no direct control. Additionally, as explained above, it's clear from the conversations that Mr J held with Santander from October 2022 onwards that he was aware that M's BBL was in a position of arrears.

When Mr J first spoke with Santander about M's BBL arrears in October 2022, the possibility of an arrears repayment plan was discussed. Santander required Mr J to complete an affordability assessment with them, to ensure that M could reasonably afford to pay any arrears repayment amount it offered. But Mr J didn't want to complete such an assessment, and so no arrears repayment plan was agreed.

Like all banks, Santander have an obligation to ensure they don't deepen or make worse any position of financial difficulty that an account holder might be in. For this reason, I'm satisfied that it was fair and reasonable for Santander to have required M to have undertaken an affordability assessment with them before agreeing to a long-term arrears repayment plan.

Alternatively, if Santander hadn't conducted such an assessment, but had accepted a long-term arrears repayment offer that M potentially couldn't afford to have made – such that M's adherence to that plan may have worsened the difficult financial position it was already in at that time – then I'd almost certainly feel that Santander would have acted irresponsibly.

In February 2023, Mr J spoke with Santander and offered a payment of £100 per month towards M's BBL. But again, Mr J wasn't willing to conduct an affordability assessment, and so Santander only accepted the £100 per month offer that Mr J made for two months, after which they required Mr J to contact them again about M's loan. And, for the reasons previously explained, this doesn't seem unfair or unreasonable to me. But M didn't adhere to this two-month agreement and failed to make the two £100 payments it had offered.

Because of this, Santander issued a default notice to M in March 2023. At this time, M's BBL was several months and over £1,000 in arrears and Mr J had declined to provide a clear understanding to Santander of M's financial position. Additionally, M had failed to make the short-term arrears repayment payments it had promised. As such, I don't feel that it was unreasonable for Santander to issue the notice of default and to require M to fully repay its accrued BBL arrears within 14 days.

Mr J spoke with Santander in response to this default notice and again refused to complete an affordability assessment for M. During that call, a new two-month short-term arrears repayment plan was agreed. And M did subsequently make the two arrears repayment payments that it agreed to make – in May and June 2023.

Mr J spoke with Santander again in July 2023, when the two-month plan had ended, and explained that M might not be able to afford to continue making the arrears repayments it had made in the previous two months. In response, Santander explained that presently there was no arrears repayment plan in place, and that if such a plan wasn't agreed then M's BBL would be defaulted – given the significant amount of the remaining arrears and the length of time they'd been outstanding.

Mr J asked Santander to call him back the following week to arrange an arrears repayment plan with him. But when Santander called on the agreed date, Mr J didn't answer. And Mr J didn't call Santander himself.

Because of this, Santander issued a new default notice to M, which again required the full repayment of the BBL arrears within 14 days. Mr J didn't respond to the default notice within the 14-day period, and this led Santander to issue a formal demand to M which required M to repay its outstanding BBL balance in full. And, when Mr J didn't respond to that formal demand within the given time to do so, and didn't fully repay M's BBL balance, Santander moved to default M's loan.

Given all that I've explained above, Santander's actions in defaulting M's BBL don't seem unfair or unreasonable to me. This is because, ultimately, M didn't meet its contractual repayment commitments on the BBL such that it an event of default as defined by the terms of the loan did occur. And I'm satisfied that Santander notified M of the arrears that had accrued on its BBL and gave M fair opportunity to recover the position of its account before making the decision to default the loan.

Mr J has said that he's unhappy with the number of phone calls he had to make to Santander and that on several occasions it was difficult to speak with Santander because of long hold times. But it must be remembered that it was M which had failed to meet its contractual repayment requirements. Because of this, I feel that the onus was on Mr J, in his role as director of M, to have met Santander's requirements surrounding M's loan arrears. And I feel that any inconvenience Mr J may have incurred as a director of M when attempting to call Santander was reasonable given the circumstances and was a consequence of M's failure to meet its contractual requirements, and so wasn't unfair.

Finally, Mr J has said that he found Santander's default notices and formal demand to be threatening. But the important nature of these documents means that Santander, like all banks, have an obligation to ensure that the consequences of non-adherence to those letters is clearly explained. I feel that this is what these letters did. And, while I appreciate that being clearly informed of the potential consequences of non-adherence may have been unpleasant for Mr J, I don't feel that Santander acted unfairly by writing those letters with the clarity that they did.

I realise this won't be the outcome Mr J was wanting here. But it follows from all the above that I won't be upholding this complaint or instructing Santander to take any further or alternative action here. In short, this is because I don't feel that Santander have acted unfairly in how they've administered M's BBL as Mr J contends. I hope that Mr J will 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 do not 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