

DRN-5003345



The complaint

A limited company, which I'll refer to as B, complains that Metro Bank PLC unfairly took the balance of its savings accounts to repay part of its bounce back loan ("BBL").

What happened

B took out a BBL for £48,750 in 2020. B also had a current account and a savings account with Metro.

Metro said:

- B got into arrears on its BBL from its first repayment in 2021.
- Several promises to pay £100 per month to clear the arrears were made but not met in 2021.
- Once the BBL was 90 days in arrears, they had issued a letter formally demanding repayment in full in December 2021.
- In January 2022, they passed responsibility for B's accounts to their debt collection agents. B subsequently agreed a £100 a month plan with the agents, which was maintained until the end of 2023, when a payment was missed.
- They wrote to B in February 2024 informing B of their intention to use the funds in its savings account to reduce the outstanding loan balance.
- B didn't get in touch in response to the letter. So in April 2024, they transferred the savings balance of around £13,000 to the BBL.

One of B's directors told us:

- In 2023, he noticed unauthorised direct debits going out of B's current account. So he moved the balance of the current account to B's savings account.
- He assumed Metro would take the agreed £100 a month repayment plan payment from the savings account.
- In April 2024, he suddenly discovered there was no money in B's savings account. It turned out Metro had transferred the balance to B's BBL.

B complained and asked for the decision to use the savings balance to be reviewed. It said the funds taken from its savings account were vital working capital, without which the business was in crisis.

Metro reviewed the matter, but did not change their decision and did not uphold the complaint. They said they had given notice to B of their intentions to offset the balances and it was B's responsibility to notify them of any change of address.

B asked the Financial Ombudsman to look into what had happened. One of our investigators did so and concluded that the bank hadn't done anything wrong.

B disagreed and asked for an ombudsman's decision. B's director made the following points, in summary:

- All B's accounts were under Metro's control so Metro could just have taken the £100 from the savings account.
- Metro hadn't used their preferred means of communication, such as email or phone, but had instead relied solely on written correspondence.
- The letter was sent to the wrong address.
- By seizing B's working capital, the bank had undermined the purpose of the BBL scheme.

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.

I don't think there's much dispute here that Metro was entitled to use the balance of B's savings account to offset the BBL debt under the terms of the BBL agreement. The decision for me is whether it was fair and reasonable for the bank to exercise this right of set-off in the circumstances here.

The BBL agreement signed by B said:

"16.1 We may at any time, without giving you prior notice, use any amount standing to the credit of any account which you hold with us (even if the balance on that account is not then due and payable to you for any reason) to pay off all or part of any amount then due and payable by you to us under this agreement (whether in respect of interest or principal or otherwise). We will give you notice as soon as reasonably practicable after exercising our rights under this clause".

This meant that under the terms of the BBL, the bank did not need to give advance notice before exercising its right of set-off. This is relevant because one of B's principal arguments is that the bank did not give it any notice before taking the funds from B's savings account.

Metro have, in any case, provided evidence that notice was given, in the form of a letter dated 21 February 2024. Unfortunately, this letter went to the wrong address and B did not receive it. But I haven't seen any evidence that this was due to an error on Metro's part. It is the responsibility of the customer to keep the bank notified of any change of address and I haven't seen any evidence that B had notified Metro in this case.

I know B's director feels that Metro should have used other methods of communication as well as a letter. But it is normal business practice to send formal correspondence such as this by post, so I think it was reasonable for Metro to send a letter. Whilst Metro could have phoned or emailed as well, they were not obliged to do so, particularly as they did not need to give any notice at all.

The background here is that B had not met its full monthly repayment amount for some time, if ever, on the BBL. This monthly repayment should have been around £865 a month. The bank had agreed to a repayment plan for a period, but this was already a prolonged concession, so I don't think it was obliged to give further leeway once the £100 a month agreement was breached.

Neither do I think it's reasonable to expect the bank to simply claim the £100 from the savings account instead. This is often simply not possible with savings accounts, as they are not set up in the same way as current accounts. But even if it was theoretically possible, it is my view that if B's director had wanted this to happen, he should have explained what he was doing to the bank and sought their agreement.

In addition, I can see that even after the bank gave notice (which as I've shown, they didn't have to do), Metro allowed B more time to get in touch before they eventually took the balance on the 17 April 2024. By waiting this extra time, Metro allowed the amount available for offset to reduce considerably, since B's savings account had a substantially higher balance in February 2024. I consider Metro showed a reasonable degree of forbearance.

I appreciate that Metro's actions have left B in a very difficult position, without any working capital. But given all the circumstances here, I do not think Metro acted unfairly.

My final decision

For the reasons set out above, I am not directing Metro Bank PLC to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 20 March 2025.

Louise Bardell
Ombudsman