

The complaint

T, a partnership, complains about the way Bank of Scotland plc (BoS) has handled the repayments on its business loan, and about charges it applied to its current account.

T has been represented in this complaint by one of its partners, Ms V.

What happened

T has a loan with BoS. Monthly loan repayments were made from its business current account. In May 2022 T opened a loan servicing account with BoS with the intention of making the loan payments from that going forward.

Shortly after the loan servicing account was opened, Ms V wrote to BoS asking it to close T's current account. But she accidentally provided the details of the new loan servicing account, which BoS then went ahead and closed. As a result of the closure of the loan servicing account, repayments on T's loan were missed.

In September 2023 BoS wrote to T to say that BoS should have made sure that the loan repayments were set up to be paid from another account when the loan servicing account was closed. It said it would reduce the overall loan balance to cover the payments that had been missed and would refund any additional interest to the account. And it said it would start taking the monthly loan repayments from T's current account from November 2023.

In January 2024 BoS credited the loan with £1,318.52. It wrote to T to say that it had reduced the outstanding balance on the loan to where it would have been if the payments had been made in full and on time. So it said the loan was now in the position it would have been in if it had collected all the agreed monthly payments between June 2022 and November 2023. It said it would let the credit reference agencies know it was removing the missed payments from the loan. And it refunded £112 in service charges incurred on the business current account and credited T's current account with £50 to apologise for the time it had taken to look into the matter.

Ms V believes that it's unfair that BoS is continuing to apply service charges to its current account. She's commented that BoS previously accepted that it was wrong, and refunded service charges on the account.

One of our investigators considered the complaint, but thought that what BoS had already done was fair.

Ms V disagreed with the investigators' view, so the complaint's been passed to me.

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 understand that Ms V believes that because BoS previously refunded service charges on the business current account, it should refund the further service charges T has since incurred. But I'm afraid I don't agree. BoS previously agreed to refund the service charges to the business current account in October 2021 because it acknowledged that T should have had a loan servicing account to make the loan repayments. A loan servicing account was subsequently opened in May 2022.

I realise that Ms V intended to close the business current account once the loan servicing account was open, but I don't find that I can fairly hold BoS responsible for the fact that she provided the wrong account details. When BoS closed the loan servicing account, it was acting on Ms V's instructions.

While I understand that Ms V would like to close T's business current account, I've seen no evidence that she's instructed BoS to do this, though she may since have done so. I acknowledge that BoS refunded further service charges in January 2024. But I can't fairly say that there's any good reason why it shouldn't apply the monthly account charges, in line with the terms and conditions of the account, until the account is closed.

BoS accepts that when the loan servicing account was closed, it should have made sure that monthly loan repayments were set up from T's business current account instead. However, it said that it subsequently reduced the loan balance to where it would have been if all payments between June 2022 and November 2023 had been collected on time. And it said that, as a result, T wouldn't have to pay any more interest than it should have done. During the course of my consideration of T's complaint, I noticed that not all the missed payments that BoS had referred to appeared to have been successfully credited to T's account. Some of them had bounced. Ms V also expressed concerns about the way the refund had been calculated.

But BoS has now accepted that it previously miscalculated the refund due. It's considered that as a separate complaint, and has made a further substantial credit to the loan account. And it says it's recalculating the interest that should have been debited to T's account and will adjust the loan balance to account for that. It says that once that's happened, the loan will be back in the position it would have been in if all payments had been made in full and on time. What's more, T will have saved money as a result of not having had to cover the missing payments itself.

Ms V has commented that she can't view T's loan account online. But BoS has explained that it's not possible to view this type of loan online. If T would like a redemption statement for the loan, it should contact BoS.

I know that Ms V feels strongly that BoS hasn't treated T fairly. But taking everything into account, and for the reasons I've set out, I don't consider that I can require BoS to do more than it's already done to resolve this complaint.

My final decision

My decision is that I do not uphold this complaint because I consider that what Bank of Scotland plc has already done to resolve it is fair.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 22 November 2024.

Juliet Collins
Ombudsman