

## **The complaint**

A company, which I'll refer to as T, complains that Metro Bank PLC (Metro Bank) treated it unfairly in relation to an overdraft arrangement.

In bringing this complaint, T is represented by its director, who I'll refer to as Mr C

## **What happened**

Metro Bank have told us that:

- On 23 March 2021, T opened a business account (the Account) with the bank and sometime afterwards, on 16 May 2022 they provided T with an overdraft facility of £60,000.00. The terms of the facility were set out in a Facility Letter (the Facility Letter) dated 16 May 2022 which the bank sent to Mr C.
- On the annual review date for the overdraft in May 2023, the bank took the decision to reduce the overdraft limit from £60,000 to £17,800.
- On 5 June 2023 they wrote to T to that effect. They told T that they were prepared to extend the facility at the new limit until 16 May 2024 provided that by 4 August 2023, T reduced the overdraft to an amount not exceeding the proposed new limit of £17,800.
- On 19 July, Mr C called the bank regarding its letter. He said T was carrying out work that would bring in a lump-sum that could be used to reduce the level of the overdraft. But he told the bank he couldn't do so as quickly as the bank required. So, on 21 July, it agreed a payment plan with T for 6 months to reduce the overdraft. In particular, that T would do so by £1,500 on the first of each month, for 6 months, starting in August 2023. And by way of further forbearance, the bank also agreed to waive interest on the overdraft for 6 months.
- On 21 August, Mr C informed the bank T had put £1,500 into the Account.
- Although in September 2023, T hadn't provided sufficient funds to further reduce the overdraft as had been agreed, nonetheless, payments were made in the following months. So, in October the overdraft was reduced to £55,000, £53,500 in November, £52,000 in December and £50,500 in January 2024.
- On 23 February 2024, Mr C asked if T could extend the arrangement by a further 3 months. He told the bank that business had been slower than expected, added to which T hadn't been paid by clients and subcontractors for whom T had carried out certain work. He told the bank that he would like the existing arrangement to continue albeit paying £1,000 per month going forward and the fresh arrangement to be reviewed every three months.

- The bank told Mr C that only if T reduced the overdraft to £17,800 as it had originally proposed would it agree further forbearance.
- Although the bank provided T with 30 days breathing space to consider things, Mr C felt unable to agree to the bank's proposal. The overdraft has since been removed and T's current balance remains in arrears of £50,387.40. The account has received no further credits since 9 April 2024.

Mr C didn't think the bank treated T fairly and complained – saying in summary that:

- At the time the overdraft was granted, it was affordable for T. But the economic climate became more challenging.
- Although Metro Bank did allow T to reduce the overdraft by £1,500 per month until the six-month review date, when the date arrived, it wasn't possible for T to reduce the overdraft by the amount Metro Bank wanted. In particular, because that would have meant having to come up with a total of £11,500.
- The bank caused considerable inconvenience to T because it impacted T's cashflow. In addition, he had to cancel all of T's direct debits and migrate 30-40 payees to a new account.
- By way of resolution T should be allowed to work with the bank to clear the overdraft whilst at the same time to also have access to the Account.

Metro Bank didn't think they acted unfairly. They pointed to the repayment plan they agreed with T to reduce the overdraft and that T also received forbearance in the form of interest being waived for the six-month duration of the plan.

T's complaint remained unresolved and so Mr C referred it to this service to look into.

Our investigator didn't uphold the complaint because he didn't think Metro Bank had done anything wrong. He said – in summary:

- When dealing with T's overdraft the bank observed the terms and conditions of the Account. In particular clause 8 stating that the bank is able to cancel or withdraw the overdraft at any time.
- Considering therefore, that the bank was allowed to withdraw the overdraft at any time, but instead, worked with T to reduce the balance, he couldn't say that Metro Bank acted unfairly.

T didn't accept the investigator's conclusions and, on its behalf, Mr C has asked for an ombudsman's review of the case; saying – in summary:

- T had been paying the amount agreed with Metro Bank to reduce the overdraft. It was unfair for them to put T under such pressure as requiring effectively the return of £30,000 in such a short time.
- All that T needed was extra time, through the extension of the repayment term still further, and largely on the same basis as had been agreed originally.

## 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, I've come to the same conclusion as the investigator and for broadly the same reasons. I'll explain why.

If I am to conclude that Metro Bank were at fault in the circumstances of this case, I'd need to find they acted contrary to the terms and conditions of the agreement that governs the relationship between T and the bank, or made an error, or acted unreasonably.

My starting point, therefore, was to look at the terms and conditions of the Account and the Facility Letter.

The Facility Letter said:

*"Availability:*

*The Overdraft Facility will be available until the date on which we withdraw or restrict your right to use the Overdraft Facility and/or demand immediate repayment of any overdrawn balance up to the Overdraft Limit.*

*We will review the Overdraft Facility annually and shortly before the Review Date. If we extend the Overdraft Facility, we may set a further Review Date and will notify you of this at the time..."*

*Repayment:*

*"You will have to repay the full outstanding balance immediately if we do not renew or extend the Overdraft on review. In addition, we may require immediate repayment on demand at any time in accordance with the circumstances set out in the Account Terms (see Clause 8 of the Standard Terms)."*

Clause 8 of the terms and conditions of the Account – says:

### ***"8. BORROWING MONEY ON AN OVERDRAFT***

*An overdraft allows you to borrow from us up to an agreed limit. We call this an agreed overdraft limit. You must apply for an agreed overdraft limit before you try to borrow any money. We are a responsible lender so will take a number of factors into consideration before agreeing to give you an agreed overdraft limit. You should only use overdrafts for occasional borrowing. If you have an agreed overdraft limit, you should make regular payments into your account so that you reduce the amount you owe....*

*You must repay any overdraft when we demand. This means that we can reduce any agreed overdraft limit or ask you to repay all or part of your overdraft (and any charges) at any time."*

Having regard to the above terms and conditions, I'm satisfied not only that Metro Bank were entitled to withdraw the overdraft at any time, but also were entitled as they did to reduce the agreed limit.

That being said, I'm aware that what is at the heart of T's complaint is that after the initial agreement whereby T was allowed to reduce the balance by £1,500 increments, Metro Bank required a further and much steeper reduction from £55,800 to £17,800 over a three-month period. This was instead of continuing the old arrangement for a gradual decrease. So, I thought about whether that was unfair, and I'm not persuaded it was.

I say that because overdrafts are intended to be a short-term solution to cashflow difficulties. They are not intended to be used effectively as an extension of a long-term line of credit. That is why they are repayable on demand.

Metro Bank were entitled to use their commercial discretion to decide the terms upon which they were prepared to continue to offer an overdraft facility to T following their review - including whether the amount of the facility should be reduced. That was a legitimate exercise of the bank's commercial judgement.

I am satisfied that Metro Bank gave T a clear indication of the terms they were prepared to continue with the overdraft. In other words that it needed to be reduced to £17,800. And although I appreciate T was aggrieved that Metro Bank took that decision, I'm unable to conclude it was unfair.

I am sorry that at the time T had been experiencing some setbacks in income receipts and that overall, as Mr C explained the economic climate was proving to be quite challenging.

But Metro Bank had made clear from the time of the renewal in June 2023 that they wanted the overdraft to be reduced to £17,800. They did not promise T that the position would change after the six-month concession period ended and neither has Mr C argued that was his understanding.

In the circumstances, I think the bank acted reasonably by giving T six months' notice of their intention to reduce the facility by the amount it confirmed to T. Metro Bank then worked with T to execute a plan for the reduction - including forgoing interest over the six-month period. So, whilst I anticipate this will come as disappointing news to Mr C, I share the investigator's opinion the bank did not act unfairly or unreasonably when dealing with T's overdraft – including the requirement for it to be reduced by the amount stipulated.

There is of course an overdraft amount that T still needs to repay. And it is still open to T to work with Metro Bank in order to do so. To that end, I would urge T to contact Metro Bank.

### **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 T to accept or reject my decision before 6 January 2025.

Asher Gordon  
**Ombudsman**