

The complaint

Miss W complains that National Westminster Bank Public Limited Company acted unfairly in its handling of her Bounce Back Loan (BBL) and Small Business Loan (SBL).

What happened

Miss W was a sole trader. In May 2020, she successfully applied for a £40,000 BBL from NatWest. Miss W already had an SBL from NatWest, which at the time had a remaining balance of about £16,000. In March 2021, there was a £7,000 top-up, increasing the BBL borrowing.

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

In the autumn of 2023 there were difficulties regarding the scheduled monthly repayments of the BBL. Miss W explained to the bank that her business had ceased trading. There were discussions between the parties. Miss W asked for reduced payments on the BBL, but NatWest said that all the Pay As You Grow options on the loan had been used up, so if the repayments couldn't be met then the account would be moved to the bank's recoveries department.

In January 2024, the bank notified Miss W of its intention to close her business bank accounts and default the SBL and BBL. In February 2024, the bank issued formal demand notices for repayment of the BBL and the SBL.

Miss W complained to NatWest. Unhappy with the bank's responses, she referred her complaint to us.

I've already written to the parties about the scope of this complaint, explaining which aspects of Miss W's complaint can be considered by this service. The complaint points considered in my decision here are as follows:

- 1) Miss W hasn't provided a personal guarantee and is unhappy that the bank is pursuing her for the debt of her business, which is impacting her credit file.
- 2) NatWest issued a formal demand when Miss W was away.
- 3) The SBL repayments were kept up to date, so that loan shouldn't be defaulted.
- 4) The bank unfairly moved the accounts to its recoveries department, when Miss W was expecting the accounts to remain on hold.

Our investigator looked at the evidence and didn't think the bank had acted unfairly or unreasonably.

Miss W didn't agree with the investigator's conclusions and asked for an ombudsman to

review the case. She believes that the debt should be considered for a full write-off or, at a minimum, be treated without any impact on her personal credit record.

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've looked at everything that Miss W has sent us, including her most recent submissions, and I've taken note of everything that she has said that's relevant to the complaint points listed above. I'm sorry to disappoint Miss W, but I've reached the same conclusions as the investigator.

Absence of personal guarantee

I don't agree with Miss W that the bank shouldn't hold her responsible for repaying the BBL which she took out as a sole trader. The funds were borrowed in her own name. Miss W was named as the customer in the BBL agreement, which made clear that she would be responsible for repaying the whole of the loan.

Miss W says that the structure of a limited company inherently offers protection for personal assets unless a personal guarantee is signed. She argues that as a sole trader without a personal guarantee, her liability should be treated similarly to a limited company, as the BBL was taken for business purposes and not for personal gain – so there should be a clear separation of business and personal assets.

But there's no basis, either in the BBL rules or in the loan agreement with the bank, on which I can reasonably separate Miss W, as a person, from her borrowing as a sole trader. She is the person and the sole trader, one and the same. She is the customer.

I realise that Miss W believes it's unfair that limited companies enjoy benefits that sole traders do not. But companies and sole traders operate within different legal frameworks, and I can't reasonably say that the differences are unfair – especially with regard to the limitation of personal liability, which is one of the fundamental tenets of company legislation.

Miss W argues that by treating her differently from a limited company, the bank was acting in conflict with the Financial Conduct Authority's Principles for Businesses. I should say here that the BBL was an unregulated loan and was not therefore subject to any FCA rules or principles. But in any event, I have considered whether NatWest acted unfairly towards her. For the reasons given above, I don't find that it acted unfairly.

I have looked to see whether, at the time that the BBL was taken out, NatWest made it clear to Miss W what her liabilities would be. I note on the first page of the BBL agreement, it stated "*The Customer remains responsible for repaying the whole of this loan at all times (including in the event of a default) and if the Customer fails to do so this may negatively affect the Customer's credit score or rating with credit rating agencies.*" I also note that in the declaration that accompanied the application, attention was drawn to the difference between the protections for companies and sole traders, and to the unregulated nature of the lending. I'm therefore satisfied that the bank clearly informed Miss W that she would be responsible for repaying the BBL, and that failure to repay would affect her credit record.

I therefore don't find that NatWest has acted unfairly or unreasonably in holding Miss W responsible for repayment of the BBL which she took out as a sole trader.

When there are arrears and defaults on loan accounts, banks are required to report them accurately to credit reference agencies. I don't think it's unfair or unreasonable for NatWest to make such reports.

The formal demands

I've looked at the timing of NatWest's formal demands and other notices sent in 2024 and I don't find that the bank acted too hastily or unfairly. There had been discussions since October 2023 about Miss W's difficulties in keeping up the BBL payments, and NatWest had responded in December to her complaint about her repayment options. The bank was clear, in its December response, that no further BBL repayment options were available under the Pay As You Go provisions, and therefore Miss W needed to make the contractual repayments or the account would go into arrears. I'm satisfied that the bank continued to try to contact Miss W about the situation.

Miss W says she was away when the bank issued its notices of default and formal demand. But I can't say that it was the bank's fault that Miss W wasn't available to deal with the bank's communications, and in any event, after the expiry of the notices the bank further delayed its action, until after it responded in March 2024 to Miss W's second complaint. NatWest made it clear in advance to Miss W what action it would take, and it made efforts to communicate with her, recommending independent sources of debt advice. I therefore don't find that the bank acted unfairly when it issued its notices and demands in 2024.

The SBL

Miss W says that as her SBL repayments were up to date, no formal demand or default notice should have been issued for that loan. The bank has said it operates a 'single customer view' policy and when there is a concern on one account, all accounts are affected.

I'm satisfied that NatWest's terms and conditions for the SBL state that a default on any other loan from the bank is also an act of default on the SBL, so the bank was entitled to take this action. Such provisions are normal practice in loan agreements. I therefore don't think NatWest acted unfairly or unreasonably here.

Accounts not kept on hold

Miss W says she was advised by NatWest in April 2024 that it wouldn't take any further action on her accounts until she had written a letter to the ombudsman and received a complaint reference, but in the event the bank didn't wait, and in May 2024 it engaged a collection agency to pursue the debt. When Miss W complained, NatWest said that it had no record that it had agreed to put the accounts on hold.

When customers refer their complaints to us, there's no obligation on the bank to halt all action. While I don't doubt the sincerity of Miss W's recollection, I haven't seen supporting evidence that the bank said it would put matters on hold. In any event, even if there had been a temporary hold on the process, I don't believe the outcome would have been any different. Miss W's business had stopped trading and she was unable to meet the contractual payments on the BBL, which was an act of default. Formal demand and default notices had been issued and there was in my view no prospect of the BBL payments returning to good order, so I believe that events would in time have followed the same course.

In conclusion

Miss W has faced not only the disastrous impact of the coronavirus outbreak on her business, but also some serious personal and family challenges. The events in this complaint can only have made things harder for her. I appreciate that Miss W wished to keep her business loan accounts active and to avoid any adverse credit markers. But with her business unfortunately no longer trading and the Pay As You Grow options all used up, I believe the situation wasn't recoverable. In my view, it was therefore inevitable that the lending would be defaulted and her credit file would be affected.

In the circumstances, I would expect NatWest to have reached out to Miss W to discuss the management and repayment of the debt, and to provide information about sources of debt advice and help. I see that the bank did this, in phone calls and letters to Miss W, so I don't find that it ignored her circumstances.

For all the above reasons, I don't find that NatWest acted unfairly or unreasonably in the matters considered in this complaint.

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 Miss W to accept or reject my decision before 27 May 2025.

Colin Brown
Ombudsman