

The complaint

A limited company, which I'll call T, complains that Clydesdale Bank Plc trading as Virgin Money unfairly defaulted its bounce back loan ("BBL") and transferred the debt to a debt collection agency without any notice.

What happened

T successfully applied for a £50,000 BBL in 2020.

By mid-2023, T had used up all its available repayment holidays and had had one period of arrears, which it had then cleared.

In August 2023, T enquired about a further capital repayment holiday. It explained that a client was taking legal action against them and rather than paying T, had paid into escrow pending the court case. Virgin Money replied to say that T had used all available repayment holidays and they could not grant another.

T failed to make September 2023's BBL repayment and started to get into arrears. In December 2023, Virgin Money issued a legal notice formally demanding repayment of the BBL in full. In January 2024, they then transferred the debt to a third party debt collection agency.

T's representative complained, as he said he had explained that they would pay once the court released their funds and he hadn't been given any notice of the transfer to debt collectors.

Virgin Money didn't uphold T's complaint and T's representative asked the Financial Ombudsman to look into the matter. One of our investigators did so, but didn't recommend upholding the complaint. She explained that she didn't think Virgin Money had made an error in putting the BBL into default.

T's representative disagreed and asked for an ombudsman's 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.

Having done so, I'm sorry to disappoint T's representative, but I've reached the same conclusion as our investigator, for essentially the same reasons. I'll explain why below.

The bounce back loan scheme was one of several schemes set up by the Government to provide rapid support for businesses impacted by the pandemic. There were several unusual features of the scheme, one of which was that the British Business Bank set out a package of what it called Pay As You Grow forbearance measures that lenders had to provide on request. These included one six month capital and interest repayment holiday and three capital repayment holidays, during which only interest needed to be covered.

I've looked carefully at the records for T's BBL and I can see that it had used all these Pay As You Grow options. T then asked for further forbearance, for an uncertain period, pending court action. I appreciate that T thinks this request was reasonable, presumably because it is confident that the funds will eventually be released and it can then repay the loan. But in my view, it would not be reasonable or responsible to expect a lender to wait for an open-ended period in this manner.

T's representative said that when he spoke to T's relationship manager, he was simply told "if you cannot pay, that's just that, you can't pay". T's representative feels this was an error, but I think it just reflects the situation. The package of forbearance designed by the British Business Bank had already been exhausted and I don't think I can fairly fault Virgin Money for not being willing to provide more leeway.

I can see that letters were sent about the BBL being in arrears in September, October and November 2023, with the last of these warning T that if it didn't get in touch shortly, Virgin Money would issue a formal demand notice. I have then seen a copy of the formal demand, which was dated December 2023 and a letter from January 2024 informing T of the transfer to debt collection agents.

I have noted a potential problem with the address on these letters, which has a slightly different property number from the address T's representatives gave us on the complaint form. That said, I am also aware that T has confirmed it received the complaint response, which was sent to the same address.

In my view, even if the letters were not received due to the number error in the address – and even if this error was proven to be Virgin Money's error rather than T's (and I make no finding on that) – it would not change the outcome here. I say this in part because T was aware that it had a BBL on which monthly payments were due. I'm also satisfied Virgin Money were sending text messages and emails to T about the BBL as well as letters. In any case, T has said that it isn't trading pending the court action and has no other funds. So even if T had received the notices, I cannot see that it would have made any difference to what happened.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 29 April 2025.

Louise Bardell
Ombudsman