

The complaint

Mrs H is a sole trader and was previously a partner in a partnership that I'll call H. She complains that TSB Bank plc treated H's business accounts and bounce back loan ("BBL") unfairly when her husband and business partner passed away.

What happened

The partners were longstanding business customers of TSB, operating two different businesses, of which H is one. The other business is the subject of a separate decision. In 2020, the partners took out a £50,000 BBL for H.

Mrs H's husband sadly passed away in January 2024. Mrs H informed the bank promptly.

In February 2024, TSB rang Mrs H to discuss her intentions for the businesses. She told the bank she planned to continue both businesses, which she had been running on her own for over 18 months. TSB said that Mrs H would need new sole trader bank accounts, but that the partnership accounts could continue to operate until the new accounts were open.

Shortly afterwards, TSB froze both the partnership accounts. The bank said it had given Mrs H the wrong information in the earlier phone call.

A new sole trader account for the business opened on or around 11 March 2024.

TSB formally demanded repayment of the BBL in full on 18 March, following which it used the balance from H's frozen account to repay part of the loan. It then transferred responsibility for the BBL to its debt collection agents.

Mrs H complained. TSB upheld the complaint in part, acknowledging that it had mis-advised Mrs H initially about what would happen to the accounts. Otherwise, TSB said it was the correct procedure to close the accounts and put the BBL into default, as partnerships cease upon the death of one of the partners. The bank paid £300 for the distress and inconvenience caused by its poor communication.

Mrs H asked the Financial Ombudsman to look into the matter. She said she felt the bank had discriminated against her by assuming that she played a minor role in the businesses.

Whilst one of our investigators was looking into Mrs H's complaint, TSB informed us that it had retrieved the BBL from its debt collection agents, frozen interest and agreed a new repayment plan with Mrs H. It also said it would remove any adverse information reported to credit reference agencies against Mrs H's name.

Our investigator thought that a figure of £500 compensation would be fairer to reflect the impact on Mrs H. Mrs H disagreed and made the following points, in summary:

- TSB's treatment of her had had a serious impact on her life at a very difficult time and had a huge impact on her mental health.
- Why did it take TSB almost a month to take any action?
- The practical side of having business accounts frozen while the businesses were still trading had caused accounting chaos.
- TSB's treatment could easily have caused her businesses to fail.
- It was not standard practice to block access to accounts in the event of one partner's death.
- If it was legally within the bank's rights to demand full payment of the BBL then this should have been discussed without needing to prevent her from trading.

.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.

First, I am pleased to learn that TSB took action to reverse some of its decisions regarding the BBL. Whilst I accept that the loan agreement gave the bank the power to demand repayment in the event of a change in the membership of the partnership, this was optional. The bank didn't have to exercise its power and I don't think it was helpful or fair to do so here, given that Mrs H had made it clear that she intended to carry on trading.

I am sure it was also enormously frustrating to be chased for repayment for the BBL when the bank's own actions had left Mrs H with no means to repay.

I think TSB's resolution is fair. Mrs H now has the opportunity to repay the BBL without any adverse impact on her credit record. And she will benefit from paying no interest on it as she does so.

As far as H's current account was concerned, I think all parties agree that the bank mismanaged Mrs H's expectations and thereby caused her unnecessary stress. TSB had led her to expect that she could take her time in sorting matters out, whereas in reality its process was to freeze the partnership accounts and require new sole trader accounts to be opened. I don't think this process was wrong, as the bank is correct that partnerships cease to exist on the death of a partner. But I think the manner it was communicated created foreseeable harm.

I think TSB's initial gentle standard letter when Mrs H notified them of her husband's death was well-intentioned. But I can see from Mrs H's evidence and communications that she is well organised. If TSB had told her from the outset that it was in her best interest to prioritise opening new sole trader accounts, because the existing accounts would be frozen, I think she would somehow have found the time to apply for them sooner.

In my view, the bank gave Mrs H the impression there was no urgency and then suddenly took away her access to the business accounts out of the blue. I can see no logic to TSB's approach of giving her access to the accounts for a month and then suddenly removing it. I therefore agree with our investigator that some compensation is appropriate.

I know Mrs H feels she has been discriminated against by TSB because of her gender and that a man would have been treated differently. I can understand why Mrs H feels this way but having looked at all the evidence I don't think TSB has done so. I don't consider the bank put her through a "non-standard" process, as she believes. I think it ultimately followed its standard procedures, but unfortunately its initial correspondence and the incorrect phone call misled her. She was left with the impression that she had been singled out, but I'm satisfied that the evidence does not show that this was actually the case.

Putting things right

It's important to note that it is not within my remit to punish the bank, but rather to make an award that fairly recompenses Mrs H for the impact on her of its actions.

When I first looked at Mrs H's complaint, I gave her some time to provide evidence of any consequential losses she had suffered because of TSB's actions, for example, accountancy fees. She has not provided any such evidence.

Unfortunately, it is a sad fact that dealing with the death of a partner was always going to cause some administrative work. It is hard to separate these inevitable costs from any costs incurred due to the accounts being frozen. Mrs H has given me examples of some of the administrative tasks she had to deal with due to the bank's actions and I don't doubt there were others. But I don't think I can fairly make a large award without any evidence of losses incurred.

However, I do consider that the bank's freezing of her business accounts without notice caused Mrs H foreseeable and significant distress. And this happened at a time when she was understandably already incredibly distressed, thereby compounding her suffering rather than supporting her.

There are some mitigating factors that I have taken into account. I am mindful that, although I'm sure it felt long and stressful to Mrs H, the amount of time that Mrs H's business was without a bank account was relatively short. And although there was a longer period that she was without card receipts, I don't think that was entirely TSB's fault. In addition, whilst as Mrs H has pointed out, these events could potentially have caused a business to fail, in this case Mrs H's businesses did not fail. Fortunately, Mrs H was able to mitigate the problems created by using other funds and other means.

I am also conscious of the fact that the business now has an interest-free BBL, thereby effectively adding significantly to the compensation package.

Taking all this into account, I have concluded that an award of £500 (an additional £200 on top of what TSB has already paid) is fair.

My final decision

I uphold this complaint and direct TSB Bank plc to pay Mrs H an additional £200 compensation .

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 27 March 2025.

Louise Bardell
Ombudsman