

The complaint

A limited company, which I'll refer to as S, complains that Santander UK Plc gave it incorrect advice regarding its bounce back loan ("BBL"), resulting in it going into arrears. S says the bank then bombarded it with calls and letters regarding arrears.

S is represented by its director, Mr L.

What happened

S took out a £50,000 BBL from Santander in May 2020.

Under the BBL scheme, no repayments were due for the first 12 months. After this, a number of options known as Pay As You Grow ("PAYG") were available to offer businesses some further flexibility with repayment. S used one of these options to extend the term of the loan in 2021 and another to take a six month repayment holiday in late 2022.

In May 2024, Mr L rang the bank seeking a further repayment holiday. He said the business hadn't been trading and he had been funding it via directors' loans. But he said S should be getting back on its feet in the next three to six months. After some discussion, Santander suggested that S could cancel the direct debit to the BBL. Santander said once in arrears, Mr L could speak to their support department about a repayment plan.

S cancelled the direct debt, so its June repayment was missed. The July 2024 loan repayment was also missed. A PAYG interest-only option was then put in place from August 2024 for six months. Santander informed S that the loan remained in arrears.

S's BBL direct debit was still not in place, so it missed the interest only repayments due in August and September 2024. Santander continued to contact S about the arrears.

In September 2024, Mr L complained about the bank's phone calls. He said S should have been advised to take out the interest-only arrangement sooner, rather than cancelling the direct debit (which was then reinstated).

Santander replied to Mr L in September and again in October 2024. In the latter response, the bank accepted that they could have been more helpful and offered £250 compensation, which Mr L rejected.

Mr L on behalf of S asked the Financial Ombudsman to investigate what Santander had done. He felt that it wasn't fair for S to repay the arrears.

One of our investigators looked into things, but did not recommend upholding the complaint, as she thought it was reasonable for Santander to continue to hold S responsible for the arrears.

Mr L disagreed and asked for an ombudsman's decision. He said Santander had given him the wrong information at the start and that had led directly to S's current position.

.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, whilst I am sorry to further disappoint Mr L, I don't agree that Santander misled Mr L and I don't think Santander is responsible for S's arrears. I do think they could have been more helpful on occasion, however. I will explain why I've reached this conclusion below.

I know Mr L believes that Santander misadvised him on the phone. He argues that, by telling him to cancel S's direct debit to the BBL rather than take out a PAYG option at that point, the bank created the arrears that caused S's subsequent problems.

First I think it's worth noting that the bank is not obliged to provide financial advice and I am satisfied that Santander did not do so here. The bank didn't, in my view, tell Mr L what to do, rather, they made S aware of the options available to it, giving Mr L the relevant information to decide what action to take. I haven't heard them give Mr L inaccurate information at any point.

BBLs were one-off products designed to help businesses with the unique circumstances of the pandemic. They were created with a fixed package of forbearance options, PAYG. Given that PAYG, and the relatively low interest rate, make the product more flexible than most bank loans, I don't think it would be reasonable to expect banks to show additional flexibility beyond these options – and indeed, they might jeopardise their government guarantee by doing so. So I don't think Santander made an error by not offering S a second full repayment holiday.

I have listened carefully to Mr L's calls, the first of which was on 28 May 2024. In this call, Mr L explained that he wouldn't be able to make BBL repayments for the next few months, as he could no longer afford to fund his company while it wasn't generating any income. Mr L said that he had tried to apply for a PAYG repayment holiday online, but this option wasn't available. Santander informed Mr L that, although S had already used its full repayment holiday, there were still interest-only arrangements available through PAYG.

It's evident from this call that Mr L was aware of the PAYG options – as indeed can be seen from the fact that he'd already successfully applied for two.

Santander's representative asked Mr L if an interest-only option would meet his requirements and he said "it's not ideal at all" and went on to explain that he was really looking to pay nothing at all. My conclusion is therefore that it was Mr L who discounted the interest-only option at this point and not Santander that failed to suggest it.

At the time of this phone call, S's repayments were up-to-date. Santander went on to say that, if S was in arrears, Mr L would be able to discuss repayment arrangements with a specialist department. So if S couldn't afford anything towards the next payment, Mr L could cancel the direct debit, go into arrears and then phone up and come to a repayment arrangement. I do not agree with Mr L that Santander told him to take that action, or even recommended it, I think they simply mentioned it as an option because Mr L said S couldn't afford anything towards the loan.

That said, whilst I don't think Santander misled Mr L on this call, I do think they could have been clearer at that time that S would definitely not be eligible for a total repayment holiday, because it had already used that option. I think Mr L was left thinking this might still be a possibility once S was in arrears. I also consider that, whilst Santander did mention arrears to Mr L on the phone, they should have explained more clearly that if S missed any payments, the bank would expect those arrears to be made up.

Santander next spoke to Mr L on 17 June, by which point S's BBL was one payment in arrears. On this call, the available PAYG interest-only options were again discussed. Mr L once again said that S could afford nothing. Santander therefore asked if some debt advice might be useful and Mr L agreed to a referral to a free debt advice organisation. Santander therefore put in place what they called a 30 day "breathing space" (essentially a pause in communication from them about the debt) while Mr L sought debt advice. I think these actions on Santander's part were reasonable and consistent with good practice where borrowers say they cannot repay.

There was another call in July, during which PAYG options were again mentioned as being available online at any point. And on 30 July, now two payments in arrears, Mr L said that S wanted to apply for an interest-only option. The bank explained that PAYG applications could only be completed online and Mr L then completed the application while he was on the phone. Santander's agent said that the PAYG would take 24 hours to update on their system and Mr L should then phone back about the arrears. Mr L chose not to do this.

It's clear from all these phone calls that Mr L was aware of the options available from the start and knew how to apply. I'm satisfied that the gap in putting the interest-only option in place between the end of May and the end of July was not due to any error on the part of Santander.

Santander then started communicating regularly about the arrears, which were growing despite the interest-only holiday, because there was no direct debit in place.

I know Mr L feels that Santander's communications regarding the arrears were excessive and unfair. But I'm afraid I don't agree. The bank had a responsibility to inform borrowers of arrears and to warn them of the consequences. And banks are obliged to follow their usual recoveries procedures with BBLs in order for the government guarantee to remain valid. I do think that Santander's letter could have been clearer that they were addressed to S as the borrower and it would be S's credit file that would be impacted not Mr L's.

I don't think that it was Santander's fault that there wasn't a direct debit in place at that point, as Mr L had chosen to cancel it. I also don't think it would be fair to expect the bank's agent to have picked up the absence of a direct debit when talking to Mr L about the PAYG option. I think Mr L was in a better position than Santander to know the direct debit wasn't in place. That should have become increasingly apparent to him, since he signed a PAYG agreement on 30 July, which said S would pay £75 a month for the following six months. He was therefore expecting to pay that amount and would have seen that it had not been debited from S's account. Mr S could, in my view, have quickly resolved this was a phone call.

In summary, I haven't seen evidence that Santander gave Mr L incorrect information regarding S's BBL. I'm satisfied that the bank did mention the PAYG interest-only options on more than one occasion before S took up that action and I don't think it was Santander's responsibility to pick up the fact that the direct debit had not been reinstated. They also made it clear on the phone that this was a company liability not a personal one of Mr L's.

However, I do think that there were minor failings with the bank's communications, which I have highlighted above. Santander have already offered compensation of £250 in recognition of these areas. Taking all the circumstances into account, I think this amount is fair. I know that Mr L considers that S should not be expected to repay its BBL arrears, but S has a contractual liability for those amounts and I see no basis for waiving that.

I also realise that Mr L feels strongly that Santander should compensate him personally for what has happened. But I'm afraid our investigator is correct that I have no power to award personal compensation in this case. This is because this is S's complaint, not Mr L's and Mr L is not eligible to refer a personal complaint about this to our service.

Putting things right

Santander have already made an offer to pay £250 to settle the complaint and for the reasons set out above, I think that offer is fair in all the circumstances.

My final decision

My final decision is that Santander should pay £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 8 July 2025.

Louise Bardell

Ombudsman