

## The complaint

A company, which I'll refer to as M, complains that Bank of Scotland plc failed to take scheduled repayments for a Bounce Back Loan (BBL) from the company's bank account and has unfairly defaulted the loan and passed the debt to its recoveries department

## What happened

In May 2020, M took out a £50,000 BBL from BoS.

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.

The first monthly loan repayment of £833 was due in June 2021, to be taken from M's business current account. But a bank error meant that BoS didn't attempt to take the first loan repayment until May 2024, and that payment – of £1906 – was returned because of insufficient funds in the account. The bank attempted to take similar repayments in June, July and August 2024, with the same result. With the account over three months in arrears, BoS sent a formal demand to M for repayment of the full balance of the loan. In September 2024, the account was passed to the bank's recoveries department.

M complained to the bank. BoS accepted that it should have requested the BBL repayments from June 2021 onwards. The bank apologised and paid £350 compensation for the inconvenience caused.

M wasn't satisfied and referred its complaint to us.

Having looked at the evidence, our investigator didn't think BoS needed to do anything further. She gave the following reasons, in summary:

- BoS failed to ask for the BBL repayments as planned from June 2021 onwards, but the investigator would expect M to have noticed that it wasn't paying back the loan. When M signed the BBL agreement, it agreed to repay each month until the end of the term. As M was aware it had taken out a BBL, it had the responsibility to chase BoS about the repayments. The investigator also felt it was M's responsibility to have put aside the funds that it needed to pay each month.
- When BoS discovered the error and requested the new repayments in 2024, it was trying to ensure M's account was up to date with no arrears. The repayments were much higher than originally scheduled, but BoS also asked M to contact the bank to discuss the repayments and the options for help going forward. M didn't engage with BoS until August 2024, after it had missed several payments and the loan was in default. The investigator didn't think it was unfair for BoS to have defaulted the loan.
- BoS offered to bring the BBL back from recoveries if M cleared the arrears, but M

said it wasn't able to do that.

- The investigator thought both parties were in error. She didn't think BoS's failure to ask for the BBL repayments took responsibility away from M, as it had a contractual obligation to make repayments. In the circumstances, she thought the compensation paid was fair and didn't ask BoS to restore the BBL account.

M didn't agree with the investigator and asked for an ombudsman to review the complaint. One of its directors made the following points, in summary:

- The bank's failure deprived M of the opportunity to manage the repayments as agreed and denied it access to the BBL Pay As You Grow (PAYG) flexibility options at the appropriate time.
- It would be unreasonable to shift the onus entirely onto M. Businesses trusted lenders to manage these loans responsibly.
- M is willing to reach a resolution that's reasonable and fair, allowing M to fulfil its repayment obligations while ensuring that it isn't unfairly burdened with penalties due to errors outside its control.

### **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'm sorry to disappoint M's directors, but I've reached the same conclusions as the investigator, and for largely the same reasons.

It's common ground that BoS made an administrative error which resulted in the bank not taking the monthly BBL repayments as planned from June 2021 onwards. It discovered the mistake in mid-2024.

M's director says that he'd forgotten about the loan. But in my view, even if the loan had slipped from the company's memory, I need to consider what the company ought reasonably to have been aware of. In other words, in order to determine what's fair in this complaint, I should consider what the company should reasonably have known at the time.

Although the bank was in error in not taking the repayments from M's account, I believe that from 2021 to 2024, M ought reasonably to have been aware that it had the BBL debt. I say this not only because M signed the original BBL agreement in 2020 and received the proceeds of the loan, but also because in July 2021 the bank issued a letter to M about the BBL (in response to a different complaint), and because the company recorded the £50,000 debt in its published balanced sheet for the accounting years ending April 2021, 2022 and 2023.

With that in mind, I also believe that M ought reasonably to have been aware that monthly repayments were due on the BBL. The initial BBL facility agreement made it clear that it was a six-year loan with monthly repayments of £833 starting in mid-2021. I think it's reasonable to expect that the company's business planning would have taken that into account. The bank failed to take those payments for three years, but given that M showed the BBL debt in its accounts, I don't think it would have been reasonable for the company to conclude that no repayments were due.

In the circumstances, I think the company ought reasonably to have asked why the payments weren't being taken, or to have put funds aside in expectation of the matter being rectified later. And I can't ignore that M had a contractual obligation to make the repayments under the BBL agreement signed in 2020.

The bank's failure to take the payments gave M, in effect, the benefit of a three-year repayment holiday. Moreover, when BoS discovered its error, the bank started the new repayment schedule in 2024 with the loan balance as it had been in 2021 – in other words, with no interest charged for the period from mid-2021 to mid-2024 – so this also was to M's benefit.

The bank's error hasn't significantly increased the total owed by M – the company borrowed £50,000 in 2020 and the amount outstanding was the same in May 2024. I'm therefore satisfied that M suffered no direct loss caused by the bank's error. The debt passed to recoveries was £50,393.

M's director says the onus shouldn't be shifted entirely onto M. I agree that M shouldn't bear all the responsibility for these events, because the bank made an error in failing to take the repayments from M's bank account. But the bank has already made concessions in respect of the loan structure and interest, as described above, and from May 2024 onwards it reached out to M with a view to making the repayments manageable. Later, BoS offered to bring the loan back from recoveries if the arrears were settled. The bank has also apologised for its error and paid £350 compensation for inconvenience caused. I think these actions were fair and reasonable, and I don't think it's correct to say that the responsibility has been shifted entirely onto M.

M's director said he didn't respond to the bank in May 2024 because he panicked about the sums involved in the new repayments. But by the time he made contact, the loan was in default, so it was too late. I think the bank's subsequent offer to bring the BBL (along with its PAYG options) back from recoveries on payment of the arrears was fair and reasonable. M had enjoyed an unexpected period of three years without any outgoings for the BBL capital or interest, and it had known from May 2024 onwards about the new payments required, so I think it was reasonable of BoS to expect M to be in a position to meet the arrears which built up after May 2024.

I note that BoS has said that its recoveries team would be happy to discuss repayment plans with M.

For all the above reasons, I agree with the investigator's conclusions that there was fault on both sides and that BoS's actions in respect of its own error have been fair and reasonable. I therefore don't require the bank to do anything further to resolve this complaint.

### **My final decision**

My final decision is that I don't require Bank of Scotland plc to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 10 December 2025.

Colin Brown  
**Ombudsman**