

The complaint

A is a company, and it has brought this complaint through its director. A's complaint is that, because of an error on the part of National Westminster Bank Plc, it was unable to reschedule a loan. As a result, the loan was defaulted and the bank took the decision to close its account.

What happened

In June 2020 A successfully applied for a bounce back loan (or BBL) from NatWest. The BBL scheme was a scheme by which businesses could obtain government-backed lending to assist them through the Covid-19 pandemic. A obtained a £50,000 loan, payable over six years; no payments were due for the first 12 months.

From around October 2022 there were indications that A was having difficulty meeting the repayments of nearly £900 a month. A's business was in buy-to-let residential property, and rising mortgage rates meant that rental income was insufficient to meet the business's outgoings. Monthly payments were missed in February and March 2023.

The BBL arrangements however meant that A could apply for various Pay as You Grow (or PAYG) options, including payment holidays and loan term extensions. NatWest has said PAYG applications could only be made online, although it invited applicants with accessibility needs to get in touch if they could not use the online portal. That did not apply in this case.

A made several PAYG applications from around March 2023. Its director was however unable to complete them because he did not receive emails from the bank with links to enable him to sign the agreements.

On 5 May 2023 NatWest sent two letters to A. One said that the BBL account was in arrears, and the bank demanded repayment of all sums owing under it – in excess of £30,000. The other said that it would be closing A's accounts in 60 days. A said it didn't receive the arrears letter. A's current account was closed in early July 2023, shortly after it had applied again under the PAYG scheme.

A complained about what had happened. NatWest investigated and noted that the PAYG applications had included an incorrect email address for A's director. Because of that, he had not received the links to the final PAYG agreements. The bank said that the original error had been its own, but also that A had confirmed that the contact details on the application had been correct.

When the complaint was referred to this service, one of our investigators recommended that it be upheld and that, to resolve it, NatWest should:

- take the loan account back from the debt collectors to which it had been transferred;
- remove and adverse information it had registered with credit reference agencies;
- allow A to make a new PAYG application; and
- pay A £350 in recognition of the inconvenience to which it had been put.

She did not recommend that the bank re-open the current account.

NatWest did not accept the investigator's recommendation and, as it had not been possible to reach a resolution, the case was passed to me for review.

I considered what had happened and issued a provisional decision, in which I said:

To a very large extent, it appears to me that the events leading to this complaint were triggered by the difficulties in processing and completing a series of PAYG applications. It is my understanding that the applications had been approved in principle, but that it was not possible to complete the paperwork.

A says that was because the bank had, by its own admission, incorrectly completed the email address linked to the account. I think that is the most likely explanation, although I note that it appears to have been correctly recorded elsewhere.

The bank says that the PAYG application included pre-populated fields with an option for editing them. If the email address was incorrectly populated, it was for A's director to amend it as necessary. It would not be fair, the bank says, for the customer to take no responsibility at all for any error. A disputes that fields were pre-populated; its director says that he added the email address and that he did it correctly. I have however seen an example of the online application and I am satisfied that the email address (and other fields) were pre-populated.

I accept too that, if the email address had been correctly recorded, it's likely that A would have been sent the link to enable the agreement to be executed. That it was not is primarily the fault of the bank (for taking down an incorrect address in the first place) but in part the fault of A's director (for not noticing the error).

A's director says too that he did not receive the arrears notice and formal demand sent on 5 May 2023. I note that A changed its registered office in September 2021 and that the notice was sent to the previous office. The closure notice, sent on the same day, was addressed to A's then current registered office, although I note that A's own correspondence from that time also used that address.

In the circumstances, I think it is quite possible that A did not receive the formal demand when it was sent. Its director must however have known that payments had been missed. Indeed, it was because of financial difficulties that A was having that he had applied for relief under the PAYG scheme.

In the short term, I think that, had a PAYG application been processed as it should have been in March 2023, the bank would not have made a formal demand and issued a closure notice in May 2023. It does not necessarily follow however that it is appropriate to unwind those events many months later. In saying that, I note that A was able to make alternative banking arrangements and that A can still seek concessions from the current owner of the debt – who will be obliged to give due consideration to A's current financial circumstances.

Against that, my current view is that the inconvenience to which A has been put merits more compensation than the investigator recommended, so I am proposing to increase that part of the award to £500.

A did not accept my provisional decision. Its director said that the investigator's recommendations should be implemented. He noted that the terms of the bounce back loan were designed to support businesses during the Covid-19 pandemic and were more favourable than terms available now. He said that A was at risk of insolvency.

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 indicated in my provisional decision that I thought the bank and A should each bear some responsibility for the fact that PAYG options were not completed. And I said too that, if they had been, the bank would not have made a formal demand for payment when it did.

I do not believe however that I can fairly conclude that a completed PAYG application in or around March 2023 would have made a significant difference in the long term. As I noted, A had already been struggling to meet payments for some months. I think it very likely that, even if NatWest had not made the errors it did, A would have been in much the same position at a later date.

And, whilst I note what A's director has said about the favourable terms previously available, lenders are generally under a duty to consider cases of financial difficulty carefully and, where appropriate, offer concessions. A may therefore be able to negotiate acceptable concessions with the current lender.

I have not therefore changed my view from that which I set out in my provisional decision.

My final decision

For these reasons, my final decision is that, to resolve A's complaint in full, National Westminster Bank Plc should pay it £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 18 March 2025.

Mike Ingram
Ombudsman