

## The complaint

A limited company, which I will refer to as S, complains that The Royal Bank of Scotland Plc unfairly transferred its Coronavirus Business Interruption Loan (CBIL) to the bank's recoveries department.

One of S's directors brings the complaint on S's behalf. To resolve the complaint, she would like the CBIL to come out of recoveries, and for the bank to agree a payment arrangement for the arrears.

## What happened

One of our investigators looked at this complaint. He said:

- In February 2021, S successfully applied for a CBIL of £110,000. At the time, S had a bank account with RBS.
- In June 2021, S requested a business account switch through the Business Banking Switch scheme. The switch was completed within a few days – but meant the CBIL was left without an RBS servicing account. RBS has since said that it shouldn't have allowed S to complete a switch without a replacement servicing account being in place.
- Repayments on the CBIL were due to start in March 2022, but S missed the March payment. S did make several payments from April 2022 onwards, but it did not make up the March 2022 payment. That meant the CBIL remained in arrears.
- During June and July 2022, RBS made several attempts to speak to S's director about the status of the account, but was unable to make contact.
- One of S's directors was able to speak to RBS on 1 August 2022. RBS said there had been an error, and S needed to open a new servicing account with RBS for CBIL payments. Both parties agreed to speak again on 9 August 2022 to discuss the arrears, but that call did not happen. RBS's further attempts to contact S's director during August 2022 were not successful.
- S's director spoke to RBS on 24 October 2022, and the bank sent her a link to an online account application for a new servicing account. The bank says that application was never completed, despite its attempts to remind her.
- RBS tried to contact S's director again in November 2022, but she was seriously unwell. The bank said that in principle it could consider a capital repayment holiday, but it would need forecasts to show that S could afford to resume payments at a higher level. Following a further discussion with the bank in January 2023, S's director provided the requested forecasts in February 2023.
- RBS reviewed S's documents and decided that it was not satisfied with affordability,

so it declined to make any changes to S's CBIL account.

- RBS issued a formal demand for the repayment of the CBIL on 26 May 2023.
- RBS reviewed the position in August 2024 and agreed a 12-month payment plan.
- Further to S's complaint, RBS has refunded £4,233.35 in interest on the CBIL to compensate S for its error in allowing S's current account to be switched without first putting a replacement servicing account in place. RBS has also offered, but not yet paid, a total of £375 in compensation for the inconvenience S suffered in respect of its poor customer service.

Our investigator didn't think that RBS needed to do any more to put things right. He accepted that the bank had made mistakes, but he thought that the interest refund plus the offer of £375 for inconvenience was fair. He considered that the bank was entitled to issue a formal demand given the level of arrears on the account and the information S had provided about its circumstances. He noted that the bank had nevertheless agreed a 12-month payment plan starting in August 2024, and he said he thought that was the right thing for the bank to have done.

RBS accepted our investigator's findings, and reiterated that it was satisfied it had made the right decision. It also said that during 2024, S missed its January, February and July payments. The bank does not believe that S could have afforded a repayment arrangement for the arrears in addition to the contractual loan repayments.

S's director did not accept our investigator's conclusions. She said that that RBS had admitted that it had breached the terms and conditions of the loan, and yet it was not being held to account.

### **My provisional decision**

I issued a provisional decision on this complaint in April 2025. I said:

"[M]y provisional conclusions are:

- RBS should not have allowed S's current account to close without first setting up an alternative servicing. However, the compensation the bank has already offered is fair in respect of that issue.
- RBS offered S the opportunity to open a new servicing account, and it is not the bank's fault that S did not open a new servicing account before RBS issued its final demand in May 2023.
- RBS was entitled to conclude that the capital repayment holiday S had requested was unaffordable.
- RBS should have considered whether it could offer any alternatives to a capital repayment holiday, such as a term extension. I don't have evidence to demonstrate whether RBS did that. But even if it did, I think it is likely that RBS would still have issued a formal demand in or around May 2023 and then transferred the CBIL to its recoveries department. In other words, I think that even if RBS did fail to consider alternatives to a capital repayment holiday that failure would not have made any difference.

- Overall, I think RBS has already offered enough to put things right.

I give further explanation of my provisional findings below.

### ***How the CBIL was intended to work***

The Coronavirus Business Interruption Loan Scheme provided facilities for [businesses] across the UK that were affected by Covid 19.

In S's case, the CBIL loan agreement it had with RBS said that from March 2022 onwards, S must make a monthly capital payment of £1,833.33 with a final instalment of £1,833.53. In other words, so far as the capital was concerned S was due to make 59 payments of £1,833.33 followed by one payment of £1,833.53, making a total of £110,000.

In addition to the capital payments, S was required to pay interest at 4.59% over Base Rate from year two of the loan onwards, with the government covering the interest due for the first year. The loan agreement explained that interest would be applied to a separate account – either S's current account if it banked with RBS, or a servicing (or "feeder") account with RBS if S's main current account was with another provider.

S was therefore required to maintain either a current or a servicing bank account with RBS. RBS has explained that if S did not do so, the bank could not automatically charge the interest due on the loan.

Based on the evidence I've seen so far, I don't think S has ever made any payments at all towards the interest due on the CBIL. S has made large number of capital payments of £1,833.33 (although it missed at least four payments, in March of 2022 and then in January, February and July of 2024). However, I haven't seen anything to suggest that S has ever paid more than £1,833.33 towards its CBIL in any single month.

### ***The account closure***

Everyone agrees that RBS made a mistake when it allowed S to switch its bank account without first setting up an alternative servicing account. The switch meant that S's RBS current account was closed, leaving RBS without an account to which it could apply the interest due on S's CBIL.

However, I am not persuaded that the closure of S's bank account prevented S from making payments to its CBIL. I understand that S has not had an RBS bank account since June 2021, but it has made many payments towards its CBIL since that date – which suggests that RBS did not prevent S from making payments.

I do accept that the closure of S's bank account might have delayed S's first CBIL payment (which should have been paid in March 2022, but was not paid until April 2022). If S's bank account had not been switched away from RBS, then the March 2022 payment should have been automatically taken from S's RBS bank account. The switch meant that was not possible. However, RBS's 10 November 2023 letter explained that the bank had refunded two months' worth of interest on the CBIL to apologise for its mistake. I haven't seen anything to suggest that RBS's mistake caused S to suffer losses in excess of two months' interest, and so I don't think it would be fair for me to order RBS to pay additional compensation for this issue.

In any event, ultimately it was S's responsibility to make the payments due on its account as those payments fell due, and S did not do that.

### ***S's failure to open a new servicing account***

The loan agreement between S and RBS said that RBS could require S to open a servicing (or "feeder") account for the loan. One of the reasons for that clause was to allow RBS to charge the interest due on the CBIL to the servicing account.

RBS says that so far it hasn't been able to charge S any interest on the CBIL. It has written off two months' worth of interest (as set out above), but it says that over the longer term it was not willing to allow S's CBIL account to continue without a supporting current account or a supporting servicing account. I consider that the bank's position on that point is reasonable.

I can see that RBS made several attempts to persuade S's director to open a new servicing account, but she did not do so. Unless S provides further evidence that causes me to change my mind, I intend to make the finding that the failure to open a servicing account was not the bank's fault.

I note that RBS is no longer prepared to allow S to open a servicing account. Given that the CBIL has been moved to recoveries, again I consider that the bank's position on that issue is reasonable.

### ***S's request for a capital repayment holiday***

I don't know exactly when S's director made her first request for a capital repayment holiday, but I believe it was around November 2023. By that point there were already significant arrears on S's CBIL. The loan had effectively been at least one month in arrears since March 2022, because the capital payment of £1,833.33 due in March 2022 had still not been paid. In addition, S had not made any payments at all towards the interest due on the CBIL.

If RBS had given S a capital repayment holiday without making any other changes to the loan, then S's payments would have increased significantly once the capital repayment holiday came to an end. In light of the financial information S's director provided, I consider that RBS's decision not to allow the capital repayment holiday was reasonable. I understand why RBS was concerned that S would not be able to afford the higher payments once the capital payment holiday had finished.

In addition, a capital repayment holiday would have meant that S was still required to pay interest on the CBIL. RBS could not collect the interest without a servicing account, and S had not opened a servicing account despite ample opportunity to do so. I don't think it would have been practical for RBS to have agreed a capital repayment holiday without a servicing account in place.

### ***RBS's decision to send the CBIL account to recoveries***

RBS issued a formal demand for the repayment of the CBIL on 26 May 2023, and sent the account to its recoveries department shortly afterwards. By that point, I think it is fair to say that the relationship between RBS and S's director had broken down. RBS appears to have lost patience with S's director's failure to co-operate with the opening of a servicing account, and the director in turn appears to have lost patience with RBS's refusal to offer a capital repayment holiday.

I know that S's director is unhappy that RBS has not shown her its full procedures for handling accounts that are in arrears. But RBS is not required to release those procedures, and it is entitled to keep them confidential. I do not criticise RBS for failing to disclose its full procedures to S.

By May 2023, the arrears on the CBIL were significant. S had not paid the capital repayments for March 2022, and it had not paid any of the interest due from March 2022 onwards. RBS also knew – because S's director had told it – that S's turnover had reduced and it was facing significant financial challenges.

I don't know whether RBS considered any alternatives to calling in the CBIL and sending the account to recoveries. In particular, I don't know whether RBS considered extending the term of the loan (which had a six year term, and theoretically could have been extended to ten years). But I haven't asked RBS for any further information on that point, because subsequent events suggest to me that S could not have afforded to make its contractual payments even if RBS had agreed a term extension and a capital repayment holiday.

S subsequently missed its capital repayments in January, February and July 2024. I understand it has still not paid any of the outstanding interest. So I think it is likely that even if RBS had agreed changes to the loan in May 2023, RBS would still have issued a formal demand at some point during 2023 or 2024. Even if RBS was premature in issuing its May 2023 formal demand, I don't think S was disadvantaged by RBS's action. S may ultimately have benefitted if RBS issued its formal demand earlier than it would otherwise have done, because the earlier a default is reported to a credit file the sooner that default will drop off the borrower's record.

### ***The August 2024 payment arrangement***

S agreed a 12-month payment plan with RBS in August 2024. I don't usually comment on arrangements made after a complaint has been referred to the Financial Ombudsman Service, but here I will do so because I think the August 2024 payment plan is closely related to the complaint.

When S's director referred this complaint to us, she said she wanted to agree a payment plan with RBS. She has since been able to do that. I understand both parties have agreed that the plan should be reviewed at the end of the 12-month period, which I think is reasonable.

S's director also said that she wanted S's CBIL to be transferred away from RBS's recoveries department. I can't see that she's explained why she wanted that – I have assumed that she is unhappy about the damage to S's credit rating, but if I have misunderstood I ask her to clarify.

I wouldn't normally expect a bank to transfer an account out of its recoveries department unless that loan was fully paid to date. Here, I understand the arrears are still significant, and include almost three years' worth of interest payments. I don't think the arrears are the bank's fault, and so I see no reason for me to order RBS to transfer S's CBIL away from its recoveries department.

I don't know what, if anything, RBS is reporting to credit reference agencies about the 12-month payment plan. But S is not making its full contractual payment, and it is in arrears. I therefore wouldn't criticise RBS for making accurate reports on those points.

I recognise that S is in a difficult position, and that at least one of its directors has been in poor health. I would expect RBS to engage sensitively with S to understand its situation and to work towards a mutually acceptable solution. But I haven't seen anything to suggest that it would be appropriate for me to interfere with the 12-month payment plan that the parties have agreed.

### ***Compensation for inconvenience***

RBS has offered a total of £375 to apologise for its poor customer service (though I understand it has not yet paid that amount).

The complainant here is S, a limited company. Limited companies cannot have emotions or feel distress, which means that I have no power to make an award to S for distress. S's directors are not themselves the complainants in this case, because the CBIL was taken out by S. That means that whilst I acknowledge the directors have suffered distress, I have no power to [make] an award to them.

Limited companies can suffer inconvenience. Here, RBS allowed S's account to be switched before a new servicing account was put in place, and there have been difficulties in communication.

We publish information about our approach to non-financial loss on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. Taking that guidance into account, looking at what happened here, and applying my own judgement, I don't think it would be fair for me to order RBS to pay any more than the £375 that it has already offered."

RBS said it had no further comments to make, but it wanted to explain that the reason it hasn't yet transferred the compensation payment is that S has not provided external bank account details to receive the money.

S's director did not accept my provisional findings, and provided detailed commentary to explain her position. She also provided copies of some of her correspondence with the bank.

### **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 want to reassure S's director that I have read her responses to my provisional decision in full, and that I have carefully considered them. I have not responded in the same level of detail, but that is not intended as a discourtesy. It merely reflects the informal nature of the Financial Ombudsman Service.

Having considered S's director's responses, whilst I am sorry to further disappoint her I have reached the same conclusions as I did in my provisional decision, for the same reasons. I therefore confirm those provisional conclusions as final. But I will make some additional comments below.

The problems here began with S's switch from an RBS bank account to another provider. S's director says that she did not instigate that switch, and that RBS no longer wanted S as a client. Regardless of why the switch took place, I still think it was wrong for RBS to have allowed the switch without first putting a servicing account in place. I note that RBS agrees on that point, and that that is one of the reasons why RBS has written off some of the interest and offered to pay compensation. But RBS's error in respect of the switch does not

absolve S of its responsibility to make payments to the CBIL.

I acknowledge that S's director has said that the reason S did not make payments to the CBIL was that RBS had prevented it from doing so. I have carefully considered all of the evidence S's director has provided, including the emails she sent in response to my provisional decision, but I am not satisfied that the evidence shows that RBS ever refused to accept payment from S. There were certainly times when RBS wanted more information from S in order to consider whether it was willing to agree a payment arrangement, but that is not the same thing. I also note that S was able to make some payments towards its CBIL, which makes me think it is unlikely that RBS would have refused other payments.

S's director has said that S could not make payments to its CBIL because it did not have an RBS bank account. But again, S was able to make some payments. I can understand why the March 2022 payment (the first one due) might have been missed. S was able to make some capital payments towards its CBIL, for example in March, April, May and June of 2024. I see no reason why the lack of an RBS bank account would have prevented S from making payments in January, February and July of that same year.

S's director has also said that S could not pay interest to RBS because the bank hadn't provided S with statements showing the interest due. I accept that RBS's customer service here was poor, and I agree that the bank should have done more to explain the situation to S. But I think the bank's offer represents fair compensation for that error. Given that S was not always able to pay the capital repayments due, I think it is highly unlikely that S could have afforded to pay all of the interest even if RBS had made no errors at all.

I am aware that S's director has been through an extremely difficult time, and I thank her for her openness with our service. But the fact remains that S did not make repayments to RBS as those repayments fell due. RBS is therefore entitled to report those missed payments to credit reference agencies.

S's director strongly disagrees with RBS's assessment of the affordability of the proposed capital repayment holiday. But for the reasons I gave in my provisional decision, I can't fairly say that RBS was wrong. I'm also mindful that if higher payments had been affordable, it is likely that S would have been able to afford all of the capital payments due in 2024.

Overall, I remain satisfied that RBS's offer to pay £375, in addition to the interest it has already written off, is fair and reasonable in the circumstances of this complaint.

### **My final decision**

My final decision is that The Royal Bank of Scotland Plc must pay S £375.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 20 June 2025.

Laura Colman  
**Ombudsman**