

The complaint

Mr B complains as a sole trader that Santander UK Plc is unfairly holding him personally liable for a bounce back loan ("BBL") that he intended to take out for his limited company.

Mr B has made this complaint via a representative, but I will refer to all submissions from his representative as being from Mr B himself, for ease of reading.

What happened

Both sides agree that:

- In June 2019, Mr B opened a business bank account with Santander as a sole trader.
- In September 2019, Mr B set up a limited company, which I'll call B.
- At some point between September 2019 and July 2020, Mr B told Santander that a limited company had been set up and was now the trading entity.
- In July 2020, Santander processed an application for a £45,000 BBL. The application was in the same trading name as Mr B's sole trader account and said it was from a partnership.
- Santander issued the BBL to Mr B personally and paid the proceeds into his sole trader account.
- Santander is now holding Mr B personally liable for the loan. Mr B believes this is unfair because he intended to apply for the BBL on behalf of B and indeed believed he had done so.

I issued a provisional decision on 15 July 2025, in which I said:

Santander has not been able to provide any records of conversations with Mr B regarding the limited company in late 2019/early 2020. But the bank accepts that there were conversations because its relationship manager recalls visiting the business premises to discuss the matter.

Santander could not have just changed the existing sole trader account into a limited company account, a new account would have been required. Mr B has told us that he has a clear recollection that he was told that B couldn't open a bank account because Santander wasn't opening new business accounts at that time due to the pandemic. Santander accepts that there was a period when it wasn't opening new business accounts. So I think this is more likely than not to be the reason why no bank account was opened before the BBL application, even if the discussions began before the pandemic.

Santander argues that Mr B clearly knew that B didn't have an account at the time of the BBL application. I accept this, but I don't think that makes it fair for Mr B to be personally liable for the BBL. In reality, Santander was aware that its process was that it didn't look at the information on the BBL application, it just processed an agreement in the name of the account holder for the account number provided. But Mr B didn't know this and I don't think there was any way he could have known that the account number he gave would be so significant.

I think it's also fair to say that, just as Mr B knew B didn't have a bank account with Santander, the bank knew that the trading entity was now a limited company. Santander was far more cognisant than Mr B of the importance of that distinction. But it did nothing with this information.

I've looked carefully at the BBL application form, which is under a trading name that was used by both the sole trader business and B. Mr B clearly made an error by not including the "limited" at the end of this name (although I don't think this would have made any difference to the end result in reality). There is a further error in that a box was completed to say that the applicant was a partnership. But this is a clear anomaly, since there was never a partnership as far as I'm aware, only a sole trader and a limited company with two directors. In my view, it isn't uncommon for directors of small businesses to refer to themselves as partners rather than directors.

There is a further anomaly in the application form, which is significant in my view. In the business address field, Mr B has put in the full company name of B, including the "limited". I think these discrepancies are sufficient, particularly coupled with the fact that the bank knew that the trading entity was a limited company, that Santander should have questioned who the intended borrower was. Had it done so, I think it's more likely than not that Mr B would have explained that it was the limited company. I think Santander would then have either offered a loan to the correct entity or declined the application. In the latter case, I think B would have opened an account and applied for a BBL elsewhere.

I think it is also material here that the actual loan agreement shows the name of the limited company, B, prominently as the borrower at the start of the agreement. I don't think anyone looking at that agreement could reasonably have understood that the bank actually considered the borrower to be a non-existent partnership.

I also consider the evidence shows clearly that Mr B believed that the BBL was in the name of B. B's balance sheet at Companies House, for example, lists the BBL as a liability of B.

In the circumstances, my provisional conclusion is that it is not fair and reasonable for Santander to pursue Mr B personally for repayment of the BBL. I therefore intend to direct the bank to cease to hold Mr B personally liable for the BBL. Santander should also remove any default or other adverse markers relating to the BBL from Mr B's credit file.

I leave it up to Santander to decide how it otherwise proceeds, but it is clear that Mr B considers the BBL to be B's liability, so I have no reason to believe he would object to the loan being novated into B's name. The correct parties could then agree a suitable repayment plan.

Mr B accepted my provisional findings. Santander disagreed and asked for an ombudsman's decision. It said the following, in summary:

- During the pandemic, the onus was on the bank to provide loans as easily and swiftly as possible, so normal checks were not completed.
- It had reported true and factual information about the credit history of the loan to the credit reference agencies, which it could not change.
- If Mr B had ceased trading as a sole trader, he should have stopped using his sole trader bank account immediately. But he carried on using it until 2024.
- At all times Mr B knew that his relationship in relation to the current account was as a sole trader and that he would be personally liable for all dealings in relation to that account.
- Mr B would have been able to open a new limited company account until Feb/ March 2020.
- The bank reasonably relied on Mr B's attestation that the BBL application was accurate. He did not include "Ltd" in the company name.

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, I haven't changed my provisional conclusions. I am persuaded that Mr B intended the BBL to be in the name of B and believed it was in the name of B. And I think there were enough anomalies that ought reasonably to have led Santander to question the loan application, even though it was a BBL and the usual checks were not required.

There's no dispute that BBLs were an exceptional product and banks were not required to follow their usual procedures, in order to deliver them at pace. However, a completed application was still required by the Scheme rules and I therefore think it's reasonable to say that the bank should have taken some notice of what that application said, rather than just the account number. I think the attestation that the requested borrower was a partnership – an unknown entity to the bank – and the inclusion of the limited company name in the address field – should have reasonably led the bank to question who the intended borrower was.

I accept that Mr B knew that his relationship with Santander in relation to the current account was as a sole trader who was personally liable. But I don't think it follows that the relationship in relation to the BBL was the same, particularly as the bank knew that there was a limited company entity trading by that point, even if no current account was open.

I note that there was a period when Mr B could have opened a company current account, before Santander stopped accepting applications because of the pandemic. But this doesn't change my view that Mr B had discussed opening a bank account for B prior to the BBL application.

I do think it's important that the loan agreement looks very much as though it is in the name of B, even though Santander says it is not. I appreciate that this may just reflect the way the address field pulled through into the document, but nonetheless, it said:

This Agreement is made between -

(i) Santander UK plc....

and

(ii) B

B... LTD

This is the legal contract between the parties and it did not contain Mr B's name as borrower anywhere, making it in my view impossible for Mr B to identify that it was in the wrong name at that crucial stage.

Santander has made a number of arguments about Mr B's credit file. I don't accept that it is not possible for this to be altered. Mr B should never have been the borrower and I therefore don't think it's fair that it should impact his credit file, as a sole trader or as an individual.

Putting things right

Santander UK Plc should cease to hold Mr B personally liable for the BBL and amend his credit file as required to show that he has never been personally liable for the BBL debt.

My final decision

For the reasons set out above, I uphold this decision and direct Santander UK plc to cease to hold Mr B personally liable for the bounce back loan and amend Mr B's credit file as set out above.

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

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Louise Bardell
Ombudsman