

The complaint

A limited company, which I'll refer to as S, complains that Starling Bank Limited failed to carry out adequate due diligence on a bounce back loan ("BBL") application and should therefore write it off.

This complaint has been brought to us by S's sole director and owner, Mrs B.

What happened

Mrs B has told us:

- In 2020, she was misled into using the proceeds of S's £50,000 BBL to make some property investments on behalf of S.
- The properties were soon revealed to have a number of problems and have not delivered the promised returns.
- In 2024, S started to get into arrears.
- She has since been diagnosed with ADHD. She complained to the bank requesting that the loan should be written off on the basis that her condition impacts focus, function and risk evaluation, making her financially vulnerable.

Starling didn't uphold the complaint. In short, the bank said they were unaware of Mrs B's vulnerability at the time and that they were not permitted to perform any affordability checks under the BBL scheme rules.

Mrs B asked the Financial Ombudsman to look into what had happened. One of our investigators did so, but didn't recommend upholding the complaint. His findings were:

I sympathise with the difficult circumstances S finds itself in, as well as your own personal challenges. However, I don't think Starling acted incorrectly in providing S with the BBL. Nor do I think there is sufficient reason for our service to require Starling write off the loan, even partially. I'll explain why (although, in line with the informal nature of our service, this will be in less detail than the two parties have made in their submissions).

Both parties have referred to certain FCA principles and guidance in their submissions. But BBLs are unregulated. I can't reasonably apply regulatory rules and guidance to this loan. I will instead consider the matter with regard to what our service considers "fair and reasonable" and general good industry practice.

I agree with Starling that it couldn't have been reasonably aware of your medical vulnerability at the time of S's application. Starling received a loan application under the BBL scheme which, in line with the Scheme rules, you attested S's eligibility. Starling was entitled to accept your attestation. This attestation included the declaration that you understood that you were responsible for your decision for S to borrow.

You've also made arguments about why you believe the inherent nature of the BBL Scheme was flawed and didn't take into account the needs of vulnerable customers. Yet I must pay mind to the fact that S is Starling's customer. I am aware of no industry guidance or practice in which limited companies can be considered vulnerable.

There is some small provision in the Lending Standards Board's Standards of Lending Practice for business customers for consideration of the individual in a business' vulnerability with regards to designing the sale of new products – but Starling didn't design the BBL Scheme, so I can't reasonably hold it responsible for this.

Ultimately, S agreed to the loan and benefitted from the funds. It is therefore fair and reasonable for Starling to require that the company repay the amount it borrowed.

Mrs B disagreed with our investigator and asked for an ombudsman's decision. She made a number of further submissions, some of which have been considered as part of another complaint.

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 have reviewed our investigator's conclusions, and the reasons for them. I agree with them and have nothing material to add. It follows my decision is that I don't require Starling to take any further action. This is an unregulated self-attested loan to a limited company. Starling has not required, or indeed permitted, to carry out any checks, so I can see no way the bank could have identified that S had been misled by the lettings agency.

I know Mrs B feels that the scheme itself is structurally flawed, but this was not designed by Starling so it would not be fair to hold Starling responsible for it. Neither would it be fair to hold them responsible for the actions of the letting agency.

My final decision

For the reasons set out above, I don't require Starling Bank Limited to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 30 April 2026.

Louise Bardell
Ombudsman