

complaint

P, a limited company, complains that The Co-operative Bank p.l.c. (Co-op) has treated it unfairly and was intent on destroying the company.

background

P had an overdraft and loan facility with Co-op for a number of years. In early 2014 these fell due for review. Co-op decided that it didn't want to extend or renew the facilities and asked the company for its repayment proposals. In June 2015 it made formal demand for the full repayment of all of P's debt. P says that it had not defaulted and Co-op had agreed to give it enough time to make proposals to repay the overdraft. It didn't do this.

The adjudicator didn't recommend this complaint should be upheld. She thought Co-op was entitled to recall the overdraft and had given P enough time to agree repayment proposals. It didn't make a mistake by taking action to obtain a Charging Order over the security it held.

P responded to say, in summary, that it was misled by the bank. The bank had asked its director to focus on repaying other debts and it didn't give him enough time to repay P's own liabilities. It doesn't think the bank was entitled to demand repayment when it did.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Co-op has provided loans and an overdraft to P since 2001. Various interest-only loans have been agreed over the years and regularly renewed. In early 2013 the bank agreed to extend both the overdraft and interest only loan for 12 months, for repayment or further review in early 2014.

P accepts that the bank made it clear in August 2014 that it wasn't prepared to renew or extend its borrowing again but wanted it to be repaid. The bank also told P that it had concerns because the value of its security had fallen so it wasn't prepared to continue to lend. P says that its director had agreed to repay the borrowing of another related company first and understood P would be given time to repay its debts after this.

The borrowing for the other company was fully repaid in May 2015 but within a few weeks, P says, contrary to the agreement, Co-op made demand for full repayment of its debts. I find that P had a number of meetings with the bank to discuss the repayment of its borrowing. The first of these was in August 2014. The bank also wrote a number of times between August 2014 and June 2015 asking for firm repayment proposals. Although P says that the bank agreed that the other borrowing should be repaid first, I don't agree. I am satisfied that, whilst properties were in the process of being sold to repay the other company's borrowing, the bank still made it clear, in writing and at the meetings, that it wanted firm proposals of how P intended to repay its debt to the bank.

P says that it made repayment proposals in March 2015 but Co-op told it at the meeting in May 2015 that it didn't accept this. It wasn't prepared to wait for ongoing business to be completed for repayment but it expected firm repayment proposals, possibly by P seeking re-finance elsewhere. It again asked for these by the end of May 2015. The bank chased again in early June but as P didn't provide any firm proposals it decided to make demand.

P says that it was wrong for the bank to make demand because it hadn't defaulted. But the facilities had all expired in early 2014 and the bank wasn't willing to renew them. This meant that the Co-op was entitled to consider that P was in default of the loan and overdraft terms. I find that Co-op had been quite clear, for some time, that it wanted the loan to be repaid. Despite this, it did continue to support P by giving it time to make alternative arrangements, such as refinancing or selling assets. I don't consider that Co-op made a mistake by making formal demand or seeking to recover the debt.

P suggests that by taking such action the bank is trying to destroy it. P says it was committed to repaying its debts but needed time to do so and the bank should allow this. However, whatever its reasons, I consider that Co-op was entitled to make its own decisions about whether or not to continue to lend and, if so, on what terms. This is a legitimate exercise of its commercial judgement, with which I cannot properly interfere.

I am satisfied that Co-op did give P reasonable notice that it no longer met the bank's lending criteria and that it wanted the debts repaying. I don't accept that the bank broke any agreements or tried to destroy the business. It reviewed the company's facilities when they fell due and, in fact, allowed time for P to put forward repayment proposals. It had made it very clear that it wanted to be repaid. I'm not persuaded that P has been treated unfairly.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 14 March 2016.

Karen Wharton
ombudsman