

The complaint

A company, which I will call H, complains that Bank of Scotland plc withdrew its overdraft without giving any warning.

Mr C, who is a director of H, brings the complaint on its behalf.

What happened

All parties agree:

- As at the beginning of March 2022, H was a longstanding client of Bank of Scotland with an existing overdraft facility.
- On 18 March 2022 the bank wrote to Mr C to say H's business overdraft was due for its annual review, and to ask Mr C to let the bank know if H's needs had changed. The bank also said "to continue to use your facility over the next 12 months, you'll need to pay an Annual Fee of £398.00, which we'll take from your Business current account on or around the 7th May 2022 ... Your overdraft will continue unless you hear from us."
- The bank did not take a payment of £398.00 (or any other amount) on 7 May 2022. Instead, the bank withdrew H's overdraft entirely – without first contacting H.
- When Mr C discovered the overdraft had been withdrawn, he complained to Bank of Scotland on H's behalf.

Bank of Scotland apologised for its failure to contact Mr C as promised, and it paid £100 to compensate H for its poor customer service. It also paid £80 to cover Mr C's costs in corresponding with it over the issue. But it is not prepared to reinstate the overdraft without first reviewing the account.

Mr C told us that he would like the previous overdraft facility to be reinstated. He does not want to make a new overdraft application or agree to a review, in part because the bank has since told him that it no longer has an appetite to provide overdrafts to businesses operating in the same market as H and he believes a new application would be declined.

One of our investigators looked at this complaint. He agreed that Bank of Scotland's customer service was poor, but he thought the bank had already done enough to apologise. He didn't think it would be right for him to ask Bank of Scotland to reinstate the overdraft without carrying out a review.

Mr C did not accept our investigator's findings. He reiterated that the bank removed the overdraft without any communication whatsoever, despite having previously written to him to say it would not do that. The bank's actions put H at risk of insolvency, and that outcome was only avoided because H was able to obtain a Bounce Back Loan (also from Bank of Scotland).

Our investigator could not reach agreement between the parties, so the matter was referred to me.

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, whilst I am sorry to further disappoint Mr C there is very little I can add to what our investigator has already said. Bank of Scotland clearly made a mistake, but I think its mistake was in poor communication rather than in withdrawing H's overdraft. Overall, I agree with our investigator that the bank has already done enough to apologise for its mistake.

I've looked carefully at the terms and H's account with Bank of Scotland. They say:

"At any time we may withdraw or restrict any right to an overdraft or ask you to repay your overdraft. We do not have to give you advance notice before we do, but we will tell you in writing if we require repayment of your overdraft."

Bank of Scotland was therefore entitled to withdraw the overdraft at any time. I consider that the bank was entitled to use its commercial judgement to decide whether to do so, and I do not criticise it for deciding it was not willing to continue to offer an overdraft to H. There have been significant changes at H since the overdraft was first agreed – including the setting up of a sister company to facilitate applications for grants – and Bank of Scotland (like all banks) also reviews its lending criteria on a regular basis. The fact that a bank was prepared to offer an overdraft facility in the past is never a guarantee that the same bank will be prepared to continue to offer an overdraft facility in the future.

I acknowledge that Mr C says H would have been in serious financial difficulty if it had not been able to find an alternative to the overdraft. He explained that although the overdraft was not in use at all times, the nature of H's business means that it expects to borrow at certain times of the year. I'm sorry to hear of H's difficulties, but I don't think Bank of Scotland did anything wrong in withdrawing the overdraft – and so I won't order the bank to reinstate it.

It is however clear that the bank made a mistake when it wrote to Mr C on 18 March 2022. It promised that it wouldn't withdraw H's overdraft without warning, only to do exactly that a couple of months later. I consider that Bank of Scotland's letter of 18 March 2022 was misleading, and wrongly led Mr C to believe that the bank would continue to provide H with an overdraft facility. But the letter did not override the bank's terms and conditions, and did not prevent the bank from withdrawing H's overdraft.

If everything had happened as it should, Mr C would have discovered earlier that Bank of Scotland was no longer prepared to offer an overdraft to H without first carrying out a full review. But I don't think the bank's customer service failings in keeping Mr C informed about the status of the overdraft caused H to suffer a financial loss. It did cause inconvenience, but I think Bank of Scotland has already done enough to apologise for that inconvenience.

My final decision

My final decision is that I do not uphold this complaint about Bank of Scotland plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 14 November 2023.

Laura Colman
Ombudsman