

## **The complaint**

Mr M and Mrs M, members of a business partnership (“the Partnership”), are unhappy that National Westminster Bank Plc (“NatWest”) hold them personally liable for an outstanding Bounce Back Loan (“BBL”) debt.

## **What happened**

In May 2020, the Partnership successfully applied to NatWest for a BBL. Under the terms of the BBL, the Partnership were contractually required to begin making payments towards the loan in June 2021. But the Partnership stopped trading before the BBL payments were due to commence, and so didn’t make any payments towards the loan. And because of this, NatWest defaulted the loan for non-payment in October 2021.

Mr M and Mrs M later discovered that NatWest had reported the default on their personal credit files. When Mr M and Mrs M asked NatWest about this, they were told that because they were a partnership that they were both personally jointly and severally liable for the Partnership’s debts, including the BBL. Mr M and Mrs M weren’t happy about this and felt that they wouldn’t have taken the BBL if this point had been explained to them. So, they raised a complaint.

NatWest responded to Mr M and Mrs M but didn’t feel they’d done anything wrong by holding them personally liable for the outstanding BBL balance. Mr M and Mrs M weren’t satisfied with NatWest’s response, so they referred their complaint to this service.

One of our investigators looked at this complaint. But they didn’t NatWest had acted unfairly in how they’d managed the situation, and so didn’t uphold the complaint. Mr M and Mrs M remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

## **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.

Mr M and Mrs M have said that they weren’t told that they would be personally liable for the Partnership’s BBL balance, in the event of the Partnership being unable to repay it. And they’ve also said that they were never told that the BBL Guarantee was given to the lender (NatWest) and not to themselves.

However, I’ve reviewed the BBL application that Mr M and Mrs M submitted when applying for the loan, as well as the BBL agreement that they consented to when accepting the loan.

Having done so, I’m satisfied that Mr M and Mrs M were clearly informed that they would be held personally liable for the BBL balance in the event of the Partnership being unable to repay it. And I’m also satisfied that Mr M and Mrs M were also told that the BBL Guarantee didn’t apply to them but was provided to NatWest.

Notably, the BBL Application which Mr M and Mrs M submitted to NatWest included the

following within the 'Declarations' section of the application:

*"With the submission of this loan application, you, the Borrower, declare the following:*

*...*

*10. We understand that the 100% guarantee that is provided by the government under this scheme is to cover any losses made by the Lender and does not cover losses that we might suffer if we are unable to meet our payment obligations for which we remain fully liable.*

*11. We understand that, while the prohibition of personal guarantees under the Bounce Back Loan Scheme fully protects the assets of owners and directors of limited liability companies, if we are a sole trader or partnership our personal assets may be at risk, should we fail to complete loan repayments as per the loan agreement with the Lender.*

As per the above, declaration ten confirms that the BBL Guarantee didn't cover Mr M and Mrs M but only provided protection to NatWest. While declaration eleven confirms that as members of a partnership, Mr M and Mrs M would be considered personally liable for any outstanding BBL balance that the Partnership wasn't able to repay.

Additionally, the BBL agreement, which Mr M and Mrs M accepted, begins by defining 'The Customer' as being the partnership of Mr M and Mrs M and then explains the nature of the BBL Guarantee on the opening page as follows:

*"The Customer is responsible for the repayment of this loan. The BBLS Guarantee is provided to the Bank and not to the Customer. The Customer remains responsible for repaying the whole of this loan at all times (including in the event of a default) and if the Customer fails to do so this may negatively affect the Customer's credit score or rating with credit rating agencies."*

And section ten of the BBL agreement, entitled 'Liability of partners' then confirms that:

*"Each partner of the Customer is jointly and severally liable. Joint and several liability means the Bank has the right to ask all or just one of the partners to repay the full amount of any money owed by the Customer and not just a share."*

I'm therefore satisfied that it was clearly explained to Mr M and Mrs M, in both the BBL application and the BBL agreement that, as members of a business partnership, they would be held personally liable on a joint and several basis for any BBL balance that the Partnership didn't repay. And I'm similarly satisfied that it was explained to Mr M and Mrs M that the BBL Guarantee didn't apply to them but was provided to the lender – NatWest.

I also feel that it's important to note that Mr M and Mrs M's personal liability for the outstanding BBL balance isn't a feature of the BBL scheme but is a feature of business partnerships in general. This is because there isn't a legal distinction between the Partnership and Mr M and Mrs M, which means that Mr M and Mrs M would be considered personally liable for any borrowing, such as loans or credit cards, that they obtained for the Partnership. And I feel that as members of a partnership, it's reasonable to have expected Mr M and Mrs M to have understood this.

Ultimately, Mr M and Mrs M's understanding that they weren't personally liable for the BBL balance owed by the Partnership, and their understanding of how the BBL Guarantee

worked, were incorrect. And I don't feel that it can be fairly or reasonably said that this was NatWest's fault. As explained, this is because I'm satisfied that NatWest did include the correct information in the BBL documents as explained above, and because I feel that Mr M and Mrs M should reasonably have understood their personal liability as members of a partnership, separate from any dealings they had with NatWest.

Accordingly, because Mr M and Mrs M, as members of the Partnership, are personally liable for the outstanding balance of the Partnership's BBL, I don't feel that NatWest are acting unfairly by considering them personally liable for that outstanding balance. And it follows from this that I won't be upholding this complaint or instructing NatWest to take any alternative or further action here.

I realise this won't be the outcome Mr M and Mrs M were wanting. But I hope they'll understand, given what I've explained, why I've made the final decision that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 5 June 2024.

Paul Cooper  
**Ombudsman**