

The complaint

Mr C complains that The Enterprise Fund Limited trading as Business Finance Solutions didn't respond to his financial difficulties fairly.

What happened

Mr C took a business start-up loan from Business Finance Solutions. He explains he contacted it when his business hadn't taken off as he expected and was in financial difficulties. He is unhappy that it didn't offer any solution that wouldn't impact his credit record. And he doesn't think it has complied with regulations.

Business Finance Solutions said that Mr C has contacted it and asked if his monthly payments could be reduced including by extending his loan term. It responded to say that if he was experiencing financial difficulties it could offer a reduced payment plan to pay what was affordable and freeze interest. That would be based on his financial circumstances, and he'd be required to complete an income and expenditure form. There would as a result be arrears reported to his credit record about the loan. Business Finance Solutions said that rescheduling the loan wasn't an option under this start-up loan scheme. And this wasn't a requirement of forbearance by the Financial Conduct Authority (FCA). It also offered to provide details of free debt advice services especially if he had multiple creditors to deal with.

Our investigator didn't recommend that the complaint be upheld. He said that he didn't think that Business Finance Solutions had made a mistake taking into account FCA requirements. He said he would expect it to act sympathetically. And there was no set action it had to take – or a requirement that it shouldn't report the true position of the loan to credit reference agencies. He thought that Business Finance Solutions could have handled a call better with Mr C about this on 4 April 2023. But he didn't think that this warranted any compensation.

Mr C didn't agree. He said he wanted an ombudsman to review the complaint as he didn't think further dialogue with our investigator would be productive. He didn't think that his complaint has been understood or the FCA requirements. What was said wasn't reflective of his financial position as he wasn't in arrears or default and the reference to the part of the FCA Handbook the investigator had provided him doesn't apply. Mr C said he hadn't received forbearance, due consideration and sympathetic treatment. If Business Finance Solutions had applied all of these there would be no complaint. He wants things looked at properly.

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.

This service provides informal dispute resolution and isn't the regulator. I'll take into account relevant regulations and guidance in making my assessment.

My understanding from the information provided is that Mr C signed this loan agreement for his business on 1 November 2022. The amount borrowed was £4,750 and was to be repaid at £91.90 a month for 60 months. I've also seen his business plan in which he sets out his cashflow forecast for the first year. Within the plan is a specific section asking about how he'd be able to meet his loan repayments and personal expenditure if his business was to fail. And he refers there to his savings and confidence in finding a job as a back up plan. The reason I've referred to that is because it is clearly a potential concern that he had contacted Business Finance Solutions by 28 March 2023 about the affordability of the payments.

There is no right within the loan agreement to vary the term or to take a contractual payment holiday. And Business Finance Solutions has said it doesn't provide the option to extend the term of the loan. The loan agreement refers to the consequences of payments being missed.

The reason Mr C is asking to renegotiate the term and reduce the payments is due to financial difficulties. I'd expect Business Finance Solutions to assess his financial position before it took any action. And it refers to requiring his latest income and expenditure information which is reasonable. Whether Mr C was actually in arrears or as here believed he would be without action to me doesn't alter the principles including the need to treat him positively and sympathetically. That doesn't mean that Business Finance Solutions had to offer any particular solution of forbearance to him. Here it has set out the option of a payment plan, subject to an assessment of his financial position. It has highlighted that this will result in arrears to the contractual agreement which would be reported. It has also referred to there being free debt advice services available.

Clearly this isn't what Mr C wants and that is his complaint and there was a difficult conversation with Business Finance Solutions about this. But I don't see any error here or unfairness in its response. I note our investigator has given Mr C the opportunity to refer to any particular terms or guidance he wanted to rely on and which he thinks hasn't been taken into account. While I understand his position and frustration and the difficulties he explains with his start-up business I'm afraid I don't have a reasonable basis to require Business Finance Solutions to do anything further. If he does not accept my decision he remains free to pursue this matter in court and subject to any relevant time limits.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 October 2023.

Michael Crewe
Ombudsman