

## **The complaint**

A company which I'll call 'V' complains that Bank of Scotland Plc ('BOS') treated them unfairly by declining a loan application and applying adverse credit information to their credit file.

The complaint is brought on V's behalf by their director, Mr D.

## **What happened**

V told us:

- They approached BOS to apply for the Covid Recovery Loan Scheme (RLS), but it said it wasn't offering this and put through an alternative loan request which was declined.
- They had tried to appeal but been declined this option by the same person who'd declined the application which was unfair.
- After their application was declined, they reviewed their credit file and noticed BOS was reporting adverse credit information about a missed payment they weren't aware of.
- They thought they had a mortgage with BOS but hadn't received any statements about this and had now been told this was a loan – but they were unable to get any information about this except the outstanding balance. They felt this had been mis-sold.
- They wanted all adverse information recorded by BOS removed and this service to review the complaints they'd made to BOS about the loans and related information.

BOS told us:

- It had fairly declined V's lending enquiry as their request didn't meet its lending criteria and it was behaving in a responsible manner.
- V made an enquiry about lending so the decision couldn't be appealed so there hadn't been cause for a different person to contact the company about this.
- It was satisfied its staff hadn't been trying to sell products and services to V and was trying to give V information that would have been helpful including those external to the bank.
- Due to the type of loan V held, they didn't receive monthly statements about their repayments or the outstanding balance. But they had been given a repayment schedule when they took out the loan and they could see if repayments had been made from their bank account.
- It had sent an automated letter to V in April 2022 to make them aware they'd missed their repayment and the account was now in arrears. However, the arrears weren't cleared until September 2022.

Our investigator didn't recommend the complaint be upheld. He said that V had only enquired about a loan with BOS, not made a formal application and therefore there was nothing to appeal. He also said he was satisfied that it was BOS's process for the person

making the decision to deliver the outcome. The investigator also noted that V had a loan not a mortgage with BOS and therefore didn't receive statements, and he was satisfied that the bank had reported accurate credit information as V had missed a loan repayment.

V didn't agree. They said they thought they had a mortgage with the bank but hadn't been given any information about the loan except the balance. They also said they hadn't been notified of any arrears for six months - and had actually been told by BOS on a call that there weren't any – so as soon as they were made aware of the missing repayment, they cleared this immediately. They also believed BOS had been trying to sell them different products rather than what they wanted. So, they asked for an ombudsman to review their 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.

Having done so, I've decided not to uphold it. I'll explain why.

V is unhappy with both BOS's decision to decline its enquiry for lending, and that they couldn't appeal this decision. They believe they have been treated unfairly and they also think that BOS was more interested in selling them other products than helping with their loan request. But I don't agree. It's a commercial decision that BOS is able to make on whether or not to lend to a customer and how it undertakes and communicates this decision. However, in doing so, it must take into consideration its legal and regulatory obligations. BOS has shared with us the information on which its decision was based, and based on what I've seen, I'm satisfied it acted reasonably when declining V's loan request.

I recognise that V is unhappy they couldn't appeal this decision with a different member of BOS's staff. However, BOS has told us that its process here was for the person who'd received the enquiry to respond to further contact as they'd dealt with the original enquiry, and I think this is reasonable. But even if I did think BOS should have asked for another member of staff to look at what V wanted, I don't think it would have made any difference as the bank has said V didn't meet its lending criteria, and it's provided this service with evidence to show this.

V has asked that all record of this declined application be removed from their credit file. However, BOS has told us that because this was only raised as an enquiry and not an application, there would be no record of its decision to decline further lending on V's credit file. I also heard BOS explain this to Mr D, that this was the reason the decision couldn't be appealed. I think it's likely that BOS chose to review V's request in an informal manner as this meant the bank didn't register a formal application, and then subsequent decline for finance on V's credit file. Therefore, I don't think BOS treated V unfairly here, and I don't think it needs to take any further action.

I've also listened to the call where V approached BOS for further lending, and I'm not persuaded it was trying to 'sell' them alternative products. Mr D told the bank that he was looking at different lending options and enquired about the RLS, but BOS explained this scheme had ended so it couldn't provide this. The adviser undertook a full review of V's position and during that conversation asked if V was interested in being referred to what appears to be a partner insurance broker. The adviser also explained why BOS couldn't lend but explained there were alternative sites (including a government referral scheme) that may assist V with their lending requirements. So, I think the adviser was simply trying to provide V with various options due to the information Mr D had provided.

V told us that they thought they had a mortgage with the bank, not a loan – but I'm not persuaded that's the case. I say this because I've seen a copy of the agreement signed by Mr D on V's behalf which says they '*wish to apply for a fixed rate loan*' and agreed to the '*fixed rate loan terms*' within the signature part of the agreement. The agreement is also

clearly headed '*Loan facilities*' and '*new loan proposal*'. I haven't seen any reference to a mortgage throughout the document and the agreement also says if V isn't sure if this is right for them, they should seek financial advice. So based on what I've seen, I'm satisfied it was clear that the agreement V signed was for a fixed rate loan.

V also says that BOS has behaved unreasonably because they haven't received any statements for the fixed rate loan, so they weren't aware of any arrears. They say they made up the missing repayment as soon as they were told by the bank. However, BOS has told us that due to the type of loan agreement entered into by V, they don't receive monthly or annual statements as they received a term statement when signing the agreement. This provided V with a breakdown of the loan balance for the whole term as there would have been no changes to the monthly repayments during the term. However, BOS has provided an audit showing the date that an automatically generated letter was sent to V to say that they'd missed their repayment and the loan was now in arrears. It has also provided a copy of the letter.

I've also seen a copy of V's bank account statement which showed they had insufficient funds to make the repayment, and that their loan repayment had been returned. BOS has told us that V would have been able to see this on their bank statements which were sent by post, and online and mobile banking. So even if V didn't receive regular statements about their loan, I think the company ought to have been reasonably aware from the other information that they had received, that they hadn't made their contractual loan repayment as expected.

V told us that they believe their credit score has decreased because BOS unfairly reported the missed fixed loan repayment, and that's also the reason why their lending request was declined. But I don't agree. I say that because I've seen V's Bounce Back Loan statement which shows that the company had payments returned and missed on their other loan with BOS. I've also seen that BOS also told V that their general account running needed to be improved for it to consider future lending. Even if I thought that BOS should have made V aware of the arrears on their fixed rate loan, I'm not persuaded that the missed repayment was the sole reason for the bank's decision or the decrease in the company's credit score.

I recognise that Mr D feels strongly about V's complaint, and he'll be disappointed with my decision. But based on everything I've seen I don't think BOS did anything wrong here, so I won't be asking it to do anything more.

### **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 V to accept or reject my decision before 8 January 2024.

Jenny Lomax  
**Ombudsman**