

The complaint

Mr J complains that National Westminster Bank Plc is pursuing him personally for repayment of a Bounce Back Loan (“BBL”) that he says he applied for in the name of a limited company. I’ll refer to the limited company as S.

What happened

Mr J told us:

- He set up S in 2017, but he couldn’t open a business bank account for S because of its credit score.
- He’d been advised by a NatWest branch to open a sole trader bank account instead, until he could obtain one for S.
- He applied for a BBL on behalf of S in 2020. He filled in S’s registered company number and signed as a director.
- He had now sold his business and S was in liquidation.
- The bank were trying to hold him liable for a situation created by their error.

NatWest told us:

- Mr J opened a sole trader business account in 2017.
- In 2020, they received a BBL application for £50,000, which quoted Mr J’s sole trader account number. The BBL application process was automated, so this generated a BBL loan agreement in Mr J’s name.
- Mr J signed the loan agreement and the £50,000 was paid into his sole trader business account. Mr J later applied for a term extension to the loan.
- NatWest only gave BBLs to businesses that already banked with them. S didn’t bank with them so wasn’t eligible for a BBL.
- Mr J had signed a loan agreement in his own name. So he was liable.

Mr J complained to the bank, who didn’t think they had done anything wrong. He then referred his complaint to the Financial Ombudsman Service.

One of our investigators looked into the issue, but concluded that the bank hadn’t acted unfairly. Mr J disagreed and made the following points, in summary:

- He had another sole trader BBL (for a different business), for which he was making payments and had never denied liability.

- NatWest staff had been negligent in not explaining the BBL criteria to him.
- It was due to NatWest staff that he had a sole trader bank account in the first place.
- Nothing in the BBL application indicated the application came from a sole trader, other than the account number.
- NatWest should have identified the anomalies in the application and queried them with him – or else rejected the application.
- Had Mr J been fully informed of the criteria, he would not have applied for the BBL.

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'm sorry to disappoint Mr J, but I agree with our investigator's conclusions, for essentially the same reasons. I'll explain why below.

I can see that Mr J intended to apply for the BBL in the name of S. However, S would never have been eligible for a BBL from NatWest, because it wasn't an existing customer. It therefore follows that, if everything had gone as intended, the application would have been rejected and Mr J's business would not have been able to access the £50,000 funds (at least, not from NatWest).

The automated process used by NatWest in order to offer BBLs in a timely way made the business account number quoted critical. Quoting Mr J's sole trader account number on the application therefore resulted in the bank offering Mr J a BBL in his sole trader name. However, it was Mr J's responsibility to check and then sign and return the loan agreement if he wanted to proceed. Mr J didn't notice that the agreement wasn't in S's name and signed it anyway. So I consider a significant part of the responsibility rests with him.

Mr J would have received statements for the loan showing it was in his sole name. And later, Mr J went on to apply for a term extension for the BBL, all without querying why it was in his sole name.

I know that Mr J argues that NatWest should have made the BBL criteria clearer for him in the branch – and that he would never have applied for the loan had he been aware of those criteria. But I'm afraid I think Mr J was responsible for understanding what he was applying for. I don't think the branch staff can reasonably be expected to list all criteria that might be relevant.

I've thought about Mr J's argument that it was due to NatWest that S didn't have a bank account in its name in the first place. This may be so – but NatWest is entitled to decide with whom it will do business. Mr J says that S was turned down for a bank account because of its low credit score. I consider this is something that the bank is entitled to do. Neither do I think that suggesting Mr J open a sole trader account instead was an unreasonable proposal to solve his problem of needing a business account to trade. My conclusion is that there was no error on NatWest's part that led to Mr J having a sole trader account not a limited company one.

Ideally, I think NatWest would have had checks in place that would have picked up any mismatch between account numbers and the name in which the application was made. But to decide what's fair and reasonable in all the circumstances, I need to consider whether there has been an unfair outcome. I've borne in mind that the outcome if everything had gone correctly would have been that NatWest rejected the application from S because S wasn't a customer. Instead, NatWest offered the loan to their customer, who accepted it and the money was paid into that customer's account and spent from there. Mr J was operating his business through that current account and I don't think he disputes that his business used that money.

I know that Mr J feels that there has been an unfairness here. He has asked me to take into consideration the fact that he is apparently keeping up payments on another BBL he applied for as a sole trader for another business. I am not doubting his good faith. But for the reasons set out above, given that his business has had the money and S would never have been able to borrow from the bank in its own name, I don't think it is unfair for NatWest to hold Mr J responsible for repaying it.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 9 November 2023.

Louise Bardell
Ombudsman