

The complaint

Mr B, a sole trader, is unhappy that The Royal Bank of Scotland Plc ("RBS") defaulted his Bounce Back Loan ("BBL") account for non-payment.

What happened

In January 2021, Mr B successfully applied to RBS for a BBL. Payments towards the BBL were due to commence in February 2022. But Mr B was in a car accident in December 2021 and his business had ceased trading, and he didn't make any payments towards the BBL when they became due.

In June 2022, Mr B spoke with RBS about the arrears on his BBL account and about the possibility of him applying for a Pay-As-You-Grow ("PAYG") payment deferral option which may have been of benefit to him. Mr B went onto RBS's website to apply for a PAYG option and believed that he'd done so. However, he later discovered that no PAYG option had been set up on his account and that his BBL had been defaulted for non-payment by RBS. Mr B wasn't happy about this, so he raised a complaint.

RBS responded and explained that Mr B had begun several PAYG applications but hadn't completed any of them, meaning that no PAYG application had ever been submitted by him. Because of this, and because Mr B had never made a payment towards his BBL, RBS didn't feel they'd acted unfairly by defaulting the BBL for non-payment as they had. Mr B wasn't satisfied with RBS's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt that RBS's defaulting of Mr B's BBL for non-payment was fair. Mr B 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.

Having done so, I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

The BBL agreement, which Mr B accepted in January 2021 before being granted the loan, included that Mr B was liable to begin repaying the BBL in February 2022. But Mr B didn't begin make payments to the BBL in February 2022, or indeed make any payment at all to the BBL, which led to RBS defaulting the loan for non-payment in September 2022.

Mr B has explained that he was in a car accident in December 2022 which impacted his ability to repay the BBL. But Mr B doesn't appear to have made RBS aware of this until he

spoke with them in June 2022 – six months after the accident and four months after he was scheduled to begin making monthly payments to the BBL. And while I can appreciate how Mr B may have been affected by his accident, I don't feel it's reasonable to expect RBS to have taken this accident into account, given that they weren't made aware of it.

Notably, following the conversation that Mr B had with RBS in June 2022, RBS have been able to demonstrate that Mr B began four PAYG applications online, but didn't complete any of them. The first two of these failed because Mr B stated in the application that he was no longer trading. RBS then confirmed with Mr B that PAYG options were available to sole traders that were no longer trading, but because their system had been designed when this wasn't the case, Mr B would need to state that he was still trading in the application to be able to continue. Mr B did this in the following two applications, but then didn't complete them such that the applications timed out.

Mr B has explained to this service that he believed he'd completed a PAYG application in June 2022, meaning that his BBL payments were deferred. But Mr B has also explained that he wasn't comfortable stating that he was still trading on the PAYG application when he wasn't in fact doing so. But I'm satisfied that RBS had explained to Mr B that he would need to state that he was still trading and that there was a valid reason for him having to do so – the limitations of RBS system.

Notably, Mr B didn't receive any confirmation from RBS that a PAYG option had been set up on his BBL account – as I feel it would have been reasonable for Mr B to have expected, had he submitted a completed application which had then been accepted and approved. And the fact that payments were still expected on the BBL, and that arrears continued to accrue, would have been evident to Mr B if he'd monitored the ongoing status of the account, as per his responsibilities as the account holder.

RBS have also been able to demonstrate that they attempted to contact Mr B by telephone and by letter about the account arrears on several occasions, both before and after the conversations they had with Mr B in June 2022. This is as would be expected of RBS, and I'm satisfied that RBS did act fairly in trying to reach Mr B and discuss the BBL account with him. But Mr B didn't respond to those contact attempts. And after speaking with RBS in June 2022, Mr B didn't speak with RBS again until November 2022, by which time the BBL had already been defaulted for non-payment by RBS.

Mr B has stated that he didn't receive the letters that were sent to him by RBS, including the formal demand letter, and he doesn't feel that RBS should be allowed to default an account without the account holder receiving a formal demand.

But I'm satisfied that RBS did send the formal demand to Mr B's correct address, and this service wouldn't hold a business accountable for the non-delivery of correctly addressed letters. Furthermore, when Mr B referred his complaint to this service, he explained that he did receive the formal demand letter from RBS. And when Mr B contacted RBS in June 2022, this was shortly after the formal demand letter had been sent and Mr B explained to RBS that he was unhappy with the content of the formal demand letter that he'd received.

Mr B has said he'd like to clear the BBL arrears now to avoid a default on the account. But the account has already been fairly defaulted by RBS, as explained above, and so Mr B's opportunity to avoid the defaulting of the BBL has passed. As a sole trader Mr B remains personally liable for the BBL balance, despite his business no longer trading. If Mr B can now clear the balance, this should result in his credit file being amended to show the balance on the BBL as having been paid. But the fact the BBL defaulted will remain on Mr B's credit file for six years from the date it took place, and I feel that this is fair.

Mr B has also expressed his dissatisfaction that RBS passed his BBL debt to a debt recovery agency. But RBS are entitled to do this as per the terms of the BBL agreement, and so I can only encourage Mr B to communicate with the debt recovery agency about this debt.

All of which means that I don't feel that RBS have done anything wrong here. Mr B didn't make the payments towards the BBL he was contractually obliged to make. RBS attempted to contact Mr B about this via letter and by phone, but Mr B didn't respond until June 2022, after RBS issued a formal demand to him.

RBS then explained to Mr B that he could apply for a PAYG payment deferral option, and further explained that Mr B would need to state that he was still trading on the PAYG application because their system had been designed at a time when PAYG wasn't available to sole traders that had ceased trading. But Mr B didn't complete a PAYG application, and arrears continued to grow on the BBL.

RBS again attempted to contact Mr B about this, but Mr B didn't respond. So, in September 2022, six-months after Mr B's liability to make the BBL payments started, and with no payments having ever been made towards the BBL by Mr B, RBS defaulted the account for non-payment. This seems both fair and reasonable to me, given the circumstances I've described, and so I won't be upholding Mr B's complaint.

I realise this won't be the outcome Mr B was wanting, but I hope he'll understand, given all that 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 B to accept or reject my decision before 14 September 2023.

Paul Cooper
Ombudsman