

The complaint

A limited company, which I'll refer to as 'D', is unhappy that National Westminster Bank Plc ("NatWest") defaulted its Bounce Back Loan ("BBL").

D's complaint is brought to this service by its director, whom I'll refer to as 'Mr A'.

What happened

D had a business current account ("BCA") and a BBL with NatWest. D's BCA included an overdraft facility. But in November 2021, NatWest made the decision to not renew D's overdraft facility. Mr A wasn't happy about this, and he wasn't happy that NatWest also defaulted D's BBL with immediate effect. So, he raised a complaint.

NatWest responded to Mr A and explained that D's overdraft facility hadn't been renewed because D's trading turnover had been too low for NatWest to be willing to continue to provide that facility to D. NatWest also explained that they'd attempted to contact Mr A to arrange repayment of D's overdraft for several months but without success, and that because they'd been unable to reach an agreement with Mr A they'd defaulted D's BCA.

Finally, NatWest explained that when a business account is defaulted, they're no longer willing to provide other banking facilities to that business which means that all other facilities are also defaulted – which is why D's BBL had also been defaulted by them. Mr A wasn't satisfied with NatWest's response and didn't feel it was fair for them to default the BBL as they had. So, he referred D's complaint to this service.

One of our investigators looked at this complaint. But they felt NatWest had given Mr A a fair opportunity to contact them so that the defaulting of the BCA – and consequently the BBL – might have been avoided. Because of this, our investigator didn't uphold the complaint. Mr A remained dissatisfied, so D's complaint 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 A has explained that he was overseas for a prolonged time for personal reasons during the period NatWest were trying to contact him about the repayment of D's overdraft balance, following their decision to not renew D's overdraft facility. And Mr A has explained that because NatWest didn't leave any messages when they called, and because their emails went straight into his spam folder, he wasn't aware that they were trying to contact him at all.

I can sympathise with Mr A regarding the difficult personal circumstances he was experiencing at that time. But even under such circumstances, it remained Mr A's responsibility, as the director of D, to have monitored D's accounts and to have been aware of any communication attempts that NatWest were making. Additionally, Mr A was aware – or should reasonably have been aware – that D's overdraft was provided by NatWest on a short-term basis and was subject to renewal.

In this instance, when D's overdraft facility came up for review, NatWest made the commercial decision not to offer a renewal of that facility to D. This is a commercial decision that NatWest are entitled to make. And NatWest have explained that their decision was based largely on an insufficient amount of trading turnover being received into D's BCA in the trading period leading up to the review.

Mr A has explained that during that period he had often used his personal account to trade, and not D's BCA, meaning that NatWest hadn't based their decision on a correct understanding of D's trading turnover. But I don't feel that it's unreasonable for NatWest to base their decision on the activity that took place in D's business current account. And I feel it was for Mr A to have maintained D's business activity within the BCA rather than his personal account – which by definition wasn't intended to be used for business activity.

When a bank such as NatWest takes the decision to no longer provide an overdraft facility to a business customer, it would generally be expected by this service that the bank would try to contact its business customer. This would allow its customer the opportunity to arrange repayment of any overdraft balance which would now be considered as being unauthorised because of the removal of the overdraft facility.

Having considered all the information available to me, I'm satisfied that NatWest did that here. And I say this because it's evident that NatWest did try to contact Mr A on numerous occasions over several months and via a variety of different channels. And I'm also satisfied that if Mr A had responded to NatWest's communication attempts, NatWest would have offered him the opportunity to come to a repayment arrangement for the overdraft balance such that the defaulting of D's BCA may not need to have taken place.

As discussed previously, Mr A has explained that because he was overseas, he wasn't aware that D's overdraft facility hadn't been renewed or that NatWest were trying to contact him about this. But as I explained above, it was Mr A's responsibility, as the director of D, to have remained aware of the status of D's accounts and of any need to act on D's behalf.

And so, while it's unfortunate that Mr A wasn't aware that NatWest were trying to contact him, I feel that the error here was Mr A's, and not NatWest's – whom I'm satisfied acted as would be expected, given that they attempted to contact Mr A over the course of several months via several different channels, but received no response.

Furthermore, because Mr A didn't contact NatWest to arrange the repayment of D's overdraft balance, and because D's BCA was ultimately defaulted as a result, this meant that NatWest also defaulted D's BBL. And this is because NatWest, like many banks, operate a policy whereby if they've taken the decision to no longer offer banking facilities to a customer in one regard – such as by defaulting a BCA – then they're also unwilling to continue to offer any other banking facilities to that customer.

In this instance, this meant that because NatWest defaulted D's BCA, they also defaulted D's BBL. Again, this is a commercial decision that NatWest are entitled to make. But it doesn't follow that because a bank has acted in line with a policy that those actions should be considered as being fair. And so, I've thought about whether it was fair for NatWest to have cross-defaulted D's BBL in these specific circumstances.

However, having done so, I don't feel that NatWest did act unfairly by cross-defaulting D's BBL. This is because I feel that Mr A was presented with a reasonable opportunity to avoid the defaulting of D's BBL – which I feel he could have done by contacting NatWest about D's BCA overdraft balance during the months that NatWest were trying to speak with him about it. And I feel that had Mr A spoken with NatWest during that time and arranged to repay D's overdraft balance with them, then the defaulting of D's BCA and the consequent defaulting of

D's BBL could have been avoided.

Ultimately, I don't feel that NatWest have done anything wrong here. This is because I feel their decision to not renew D's overdraft facility wasn't unfair and because I'm satisfied that NatWest gave a fair and prolonged opportunity to Mr A to come to an arrangement to repay D's overdraft balance with them before defaulting the BCA as they did.

And because I don't feel NatWest acted unfairly in these regards – and because Mr A was given the opportunity to avoid the defaulting of D's BCA that he was – I also don't feel that NatWest's adherence to their policy regarding the cross-defaulting of D's BBL was unfair.

I realise this won't be the outcome Mr A was wanting, but it follows from all the above that I won't be upholding this complaint or instructing NatWest to take any action. I hope that Mr A will 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 D to accept or reject my decision before 9 October 2023.

Paul Cooper
Ombudsman