

## **The complaint**

A limited company, which I'll refer to as 'K', is unhappy with several aspects of the service it's received from National Westminster Bank Plc ("NatWest") surrounding its Bounce Back Loan ("BBL").

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

## **What happened**

K had a BBL that had fallen into arrears. Mr W called NatWest and explained that K had ceased trading and that it was unlikely that K would resume trading. NatWest explained that because K had ceased trading and so wouldn't generate any income to fulfil its contractual payment obligations toward the BBL, that NatWest would move to default the loan.

In response, Mr W asked NatWest what would happen if K's BBL arrears were cleared and was told that if K's loan was brought up to date the default could be avoided. Some time later, Mr W transferred some of his own personal money into K's business current account and used that money to clear approximately £3,630 of K's arrears.

But Mr W later learned that because K was a limited company, he was under no requirement or obligation to use his own personal money to reduce K's business debt. Mr W wasn't happy that he hadn't been told this by NatWest. And he also wasn't happy that NatWest applied the money he paid to reduce the arrears rather than to making K's ongoing contractual monthly payments. Finally, Mr W wasn't happy that NatWest hadn't updated K's business address on their systems. So, he raised a complaint on K's behalf.

NatWest responded to Mr W and said they had told him that he didn't need to pay K's debt with his personal money and that Mr W had understood this. And NatWest didn't feel they'd done anything wrong by applying the payment Mr W had made to reduce K's BBL arrears.

But NatWest did accept that they hadn't updated K's business address when they were first instructed to by Mr W. NatWest apologised to Mr W for this and made a payment of £100 to K as compensation for any trouble or inconvenience this may have caused. Mr W wasn't satisfied with NatWest's response, so he referred the complaint to this service.

One of our investigators looked at this complaint. But they felt that NatWest's response to K's complaint already represented a fair resolution to what had happened. Mr W 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.

Mr K has also asked this service to consider other calls that he made to NatWest, in addition to the two that I've referred to above. I can confirm to Mr W that NatWest provided this service with full contact notes from July 2023 onwards.

I've reviewed these call notes, and I acknowledge that calls that took place between Mr K and NatWest on 6 September and 3 October 2023. But I'm satisfied from NatWest's call notes, and from having listened to the calls that took place on 25 August and 5 October 2023, that there was no need for me to request recordings of those other calls from NatWest. This is because the discussions pertinent to this complaint took place on the calls that I've listened to, as will be explained below.

Mr W has said that he wasn't told that he didn't have to use his personal money to reduce K's BBL arrears until after he'd paid £3,630 of his own money to K's BBL account. However, as explained, I've listened to two recorded telephone calls between Mr K and NatWest, and Mr W's recollection of these events appears to be inaccurate.

The first call that I've listened to took place on 25 August 2023. On this call, NatWest's discusses K's arrears with Mr W and explains as follows:

*"I checked your accounts. You are listed as a limited company, which means that any money that you're going to use to service the debt has to come from your business's earnings."*

NatWest's agent then goes on to provide a thorough and clear explanation of NatWest's position to Mr W. This includes that because Mr W has told NatWest that K had ceased trading, that NatWest wouldn't enter into an arrear's payment plan with Mr W – because K wouldn't have any business income moving forwards to honour any such arrangement. And NatWest's agent also explained that if NatWest did default K's BBL, that this would be reported to K's credit file, which may impact Mr W's ability to be a company director during the six-year period that the default would be reported.

In response, Mr W indicates that he may be able to clear K's BBL arrears and asks what would happen if he did. NatWest's agent explains that if NatWest are happy that the BBL is brought up to date that the default could be avoided, but that Mr W would need to demonstrate that K would be able to meet its contractual BBL payment commitments from its business earnings moving forwards, meaning that K would need to resume trading.

This point is discussed again, later in the call, when NatWest's agent confirms that the standing order Mr W set up to pay K's monthly BBL payments was still active and asks Mr W whether K's monthly payments can still be made. In reply, Mr W says that the next payment won't be able to be made, but that it might be possible for K to resume making payments the following month. And NatWest's agent applies a 30-day 'breathing space' hold to K's account to allow Mr W the opportunity to confirm whether K can resume making the BBL payments moving forwards.

I've also listened to a call that took place between Mr W and NatWest on 5 October 2023. During this call, Mr W explains that he's transferred some of his own money into K's business current account and asks why it hasn't been applied to the BBL to reduce the outstanding BBL arrears.

In response, NatWest's agent explains that money wouldn't be moved from the business current account to the BBL account unless Mr W specifically instructs it. NatWest's agent then immediately goes on to caution Mr W about using his personal money to reduce K's BBL as follows:

*"Please be advised that you're not obliged to make payments using personal funds if the liability is against the business and not you, with it being a limited business."*

To which Mr W replies:

*"I understand, but if I'm able to pay, then I'll just pay it."*

NatWest's agent then asks Mr W if he wants her to transfer the available £3,630 balance in the business current account to reduce the BBL arrears, and Mr W confirms that he does.

In consideration of the above, I'm satisfied it wasn't the case that Mr W wasn't told that he didn't have to use his own money to reduce K's BBL arrears until after he'd made the payment. Instead, it's clear that NatWest told Mr W immediately before he instructed the payment that he wasn't obliged to use his own money to reduce K's arrears, and that Mr W understood this and then chose to make the £3,630 payment using his own money.

Additionally, NatWest also told Mr W in the earlier call, that took place on 25 August 2023, that the expectation was that K's BBL payments would be paid using money that belonged to K, and not to Mr W. And I also feel that as the director of K, it was Mr W's responsibility to have understood how limited companies worked, including that directors are under no obligation to pay the debts of a limited company debt using their own personal funds.

Of course, just because a director is under no obligation to clear the debts of a limited company using their own money, it doesn't mean that a director can't make the choice to use their own money to clear a limited company's debts, should they want to do so.

That's what I feel happened in this instance – that Mr W made an informed choice to use his own money to reduce K's BBL arrears. And I take this position because I feel it was clearly explained to Mr W that he didn't need to use his own money to reduce K's BBL arrears, and that Mr W understood this, but then chose to make the payment using his own money.

It may be the case that Mr W has now changed his mind about reducing K's BBL arrears using his own money. But I feel that Mr W did make the arrears reduction payment with a clear understanding of what he was doing at that time. And I don't feel that NatWest should fairly or reasonably be instructed to reimburse that payment back to Mr W because he's changed his mind about making that payment at a later time.

Mr W has also said that NatWest told him that if he didn't clear K's arrears that his personal credit file would be affected. But, as explained above, it was correctly explained to Mr W by NatWest that if they defaulted K's BBL that it would be reported on K's credit file but that it may affect Mr W's ability to be a company director during the time that the default was being reported against K – because Mr W was listed as being a director of K.

Mr W has also expressed his dissatisfaction that NatWest applied the £3,630 that he paid to reduce K's BBL arrears, rather than applying it to K's upcoming contractual monthly payments. But, as per the above, the discussion that Mr W had with NatWest was about the need for K's BBL arrears to be cleared. And I don't feel that NatWest have done anything unreasonable or unfair by using the payment made by Mr W with the intention of reducing K's BBL arrears, to reduce K's BBL arrears.

Finally, Mr W is unhappy that NatWest didn't update K's business address when they were first informed it had changed. NatWest have apologised to Mr W for this and corrected K's address on their systems. And NatWest also made a £100 payment to K as compensation for any trouble or inconvenience this may have caused.

NatWest's response to this aspect of K's complaint feels fair to me. And I can confirm that the £100 that NatWest have paid is commensurate with what I might have instructed NatWest to pay, had they not already done so. Accordingly, I don't feel that there is further action that's reasonably required from NatWest regarding this aspect of K's complaint.

Mr K has also said that he feels that NatWest had a duty of care towards himself, in his personal capacity, to not accept the £3,630 from him because he couldn't personally afford to pay it. However, this complaint has been raised in the name of K, the limited company, and isn't in the name of Mr W in his personal capacity. As such, if Mr W has a complaint of this nature, I can only refer him to NatWest to raise it with them in his personal capacity, if he hasn't done so already. And I can confirm that this point of complaint isn't within the scope of that I can consider here.

All of which means that I won't be upholding this complaint or instructing NatWest to take any further or alternative action here. To reiterate, this is primarily because I'm satisfied that NatWest did clearly explain to Mr W that he was under no obligation to use his own personal funds to reduce K's arrears before he instructed NatWest to reduce K's arrears using his own money.

I realise this won't be the outcome to K's complaint that Mr W was wanting. But I hope that he'll understand, given what 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 K to accept or reject my decision before 4 June 2024.

Paul Cooper  
**Ombudsman**