

The complaint

Mrs K is unhappy that National Westminster Bank Plc (“NatWest”) set up a Bounce Back Loan (“BBL”) in her name as a sole trader rather than in the name of her limited company.

What happened

In May 2020, Mrs K applied for a BBL in the name of her limited company, which I’ll refer to as ‘X’. However, Mrs K later discovered that NatWest had opened the BBL in her name on a sole trader basis, which meant that she was considered personally liable for the outstanding BBL balance. Mrs K wasn’t happy about this, so she raised a complaint.

NatWest responded and explained that the business relationship between Mrs K and themselves had always been on a sole trader basis. NatWest also noted that the BBL agreement confirmed the loan was being provided to Mrs K and not to a limited company, and that the funds had been received by Mrs K in her NatWest sole trader account. Mrs K wasn’t satisfied with NatWest’s response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn’t feel that NatWest had acted unfairly in how they’d managed the situation, and so didn’t uphold the complaint. Mrs K 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.

I also note that Mrs K has provided several detailed submissions to this service regarding her complaint. I’d like to thank Mrs K for these submissions, and I hope she doesn’t consider it a discourtesy that I won’t be responding in similar detail here. Instead, I’ve focussed on what I consider to be the key aspects of this complaint, in line with this service’s role as an informal dispute resolution service.

This means that if Mrs K notes that I haven’t addressed a specific point she raised, it shouldn’t be taken from this that I haven’t considered that point – I can confirm that I’ve read and considered all the submissions provided by both Mrs K and NatWest. Rather, it should be taken that I have considered that point but that I don’t feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

Mrs K applied for a business bank account on a sole trader basis with NatWest in October 2019. This was before X was incorporated, which took place in April 2020. This means that

Mrs K would have needed to amend the status of her business relationship with NatWest from being on a sole trader basis to being on a limited company basis sometime after the incorporation with X – if she wanted to do so.

Mrs K maintains that she did update her business relationship with NatWest to being on a limited company basis, and that she did this after X was incorporated but before she applied for a BBL on X's behalf. But NatWest have no record of ever receiving such a request to amend the basis of the business relationship with Mrs K. And this means that NatWest continued to administer the business relationship as being on a sole trader basis.

From an impartial perspective, I feel the different versions of events put forwards by Mrs K and NatWest means that one of two things is most likely to have happened. Either Mrs K did request a change of relationship basis with NatWest, but this wasn't then actioned by them, or Mrs K didn't request a change of relationship basis with NatWest.

However, if Mrs K did request a change of relationship basis, it's notable that Mrs K didn't receive any confirmation of this change from NatWest. This includes that the business account remained in the name of Mrs K and that the account documentation and statements continued to list Mrs K – and not X – as the account holder. And I feel that this should reasonably have been recognised by Mrs K and acted upon by her, before she applied for the BBL.

Importantly, NatWest have confirmed that their process doesn't allow an account to change from a sole trader to a limited basis. Instead, NatWest confirm that Mrs K would have needed to apply for a new bank account for X and to then have closed her sole trader account with them. But by both NatWest's and Mrs K's account of events, this didn't happen.

Accordingly, it could never have been the case that NatWest could have issued a BBL to X on a limited company basis following Mrs K's BBL application – because NatWest never held a business relationship with X. The business relationship was always with Mrs K.

It's also notable that when Mrs K applied for the BBL, the BBL documents that were provided to her for her review and acceptance were in the name of Mrs K, and not X. And, because the business bank account remained in the name of Mrs K, and wasn't in the name of X, the BBL funds were received by Mrs K into a bank account in her name.

Mrs K may ask why NatWest didn't contact her to discuss her BBL application upon noting that she had applied for it in the name of a limited company. In normal circumstances, I might agree with this point. But the BBL scheme was set up precisely because of abnormal circumstances – the emergence of the Covid-19 pandemic – and many of the banks' usual procedures and best practice surrounding lending were suspended for this scheme.

This includes that BBL applications were self-attested, and it wasn't expected that lenders such as NatWest would check the trading name of applicants – in much the same way as they weren't expected to verify the business turnover information provided by the applicant at the point of application. And as mentioned, Mrs K received the BBL agreement to review and to accept if she was happy with the information contained therein – which she did.

All of which means that I won't be upholding this complaint or instructing NatWest to take any further action. This is because I'm satisfied that Mrs K's business relationship with NatWest was on sole trader basis and that it was incumbent on Mrs K to have recognised this either before or during the BBL application. And, given that Mrs K received the BBL funds into a bank account in her name, and not in the name of X, I feel it's fair that she should be considered personally liable to repay any BBL balance that remains outstanding.

I realise this won't be the outcome Mrs K was wanting, but I hope she'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 Mrs K to accept or reject my decision before 8 November 2023.

Paul Cooper
Ombudsman