

The complaint

A limited company, which I'll refer to as 'J', is unhappy that Metro Bank PLC defaulted its Bounce Bank Loan ("BBL").

J's complaint is brought to this service by its director, whom I'll refer to as 'Mr B'

What happened

J had a BBL with Metro to which it was making payments at the beginning of each month by direct debit. On 3 May 2022, Mr B contacted Metro and explained that J couldn't make the BBL payment for that month and requested a Pay As You Grow ("PAYG") payment deferral option for the next sixth months.

Metro explained that the PAYG option could be implemented, but that because the process to take the direct debit for the payment that had been due 1 May 2022 had already begun, the payment deferral period would begin in June 2022 and the May 2022 payment would be considered as being in arrears if J wasn't able to make that payment.

Mr B called Metro back a few days later and explained he'd had an accident which had impacted J's ability to pay the May BBL instalment. Mr B agreed a temporary payment plan with Metro whereby J – whose regular monthly payments from June onwards were being deferred because of the PAYG option – would only pay £10 towards the missed May payment for the next three months and would then clear the remainder of the BBL arrears.

Mr B made the £10 payments for the months of May and June but didn't make the payment required by the end of July. Mr B also didn't respond to the letters, phone calls, and text messages sent by Metro to J about the missed £10 payment. As a result, Metro issued a formal demand to J on 23 August 2022, and defaulted the BBL on 7 September 2022 – even though Mr B had made a payment to clear J's BBL arrears a few days earlier, on 2 September 2022. Mr B wasn't happy about this, so he raised a complaint on J's behalf.

Metro responded to Mr B but didn't feel that they'd acted unfairly in how they'd managed the situation and so didn't uphold J's complaint. Mr B wasn't satisfied with Metro's response, so he referred J's complaint to this service.

One of our investigators looked at this complaint. They didn't feel it had been fair for Metro to have effectively defaulted J's BBL for being £10 in arrears for a matter of weeks, and so they recommended that the complaint be upheld in J's favour and that Metro should reinstate J's BBL account. Metro didn't agree with the view of this complaint put forwards by our investigator, 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. This means that it isn't within my remit here to declare that Metro has or hasn't acted in a non-regulatory or unlawful way.

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 circumstances and factors of a complaint into consideration.

Having considered all the information and evidence available to me here, I think that both J and Metro could and reasonably should have handled matters better here.

For instance, Mr B has explained to this service that the reason he didn't make the £10 payment required of J by the end of July 2022 was because he'd had to travel suddenly overseas for a funeral and had forgotten to take his mobile or business phone. This is different to what Mr B appears to have told Metro when he first contacted them about the missed payment in September 2022, at which time Metro's notes record that Mr J explained that he forgot about the payment because he was on holiday.

Regardless of the reason why Mr B missed the £10 July payment, the fact remains that he did miss it. And it was Mr B's responsibility as the director of J to ensure that the arrears payment plan to which he'd agreed on behalf of J was met. And I don't feel that this responsibility was diminished even in the eventuality that Mr B had to travel overseas suddenly for a funeral and forgot to take his mobile phones.

That being said, given that Metro have record on 30 May 2022 of amending J's payment plan so that after the three agreed payments of £10 for May, June, and July, a fourth agreed payment of £487 – equal to the remainder of the missed May 2022 payment – was scheduled for 31 August 2022, I don't agree with Metro's assertion that when J didn't make the £10 payment required of it by the end of July 2022, the agreed plan should be considered void from inception such that J reverted to being in arrears since May 2022.

Instead, I feel that it's fairer and more reasonable to consider J to have been £10 in arrears since the end of July – in the context of the agreed plan, which included the fourth agreed payment of £487. And given that Mr B had made a promise to clear the full arrears by the end of August – and did so shortly after the end of August, on 2 September 2022 – I don't feel that Metro have acted fairly by issuing the formal demand to J on 23 August 2022, after J had missed a £10 payment, rather than waiting to see if J met its commitment to clear the full arrears by the end of August and to have chased J to clear those arrears if it did not.

In taking this position I've considered that Mr B informed Metro in May 2022 that he'd been in an accident which had impacted J's ability to pay the BBL instalments and that J was benefiting from a PAYG plan during the £10 payment plan which meant that J's arrears weren't in any danger of increasing while the six-month PAYG period was in place.

I realise that Metro might contend that because J didn't make the £10 payment required by the agreed plan in July 2022 that the plan was broken and that they then followed their account arrears process which led to the issuance of the formal demand and the subsequent defaulting of the account. But it can be the case that a correctly followed process can lead to an unfair outcome, and that's what I feel has happened in this instance.

Ultimately, in consideration of the unique circumstances that took place here, as I've described them above, I feel that Metro issued the formal demand to J too quickly for the issuance of that formal demand to be considered as being fair.

Additionally, had Metro taken the course of action that I feel they fairly should have taken here – which was to wait to see if J honoured its commitment to clear the full outstanding arrears by the end of August, and to have chased J for those outstanding arrears if it didn't, safe in the knowledge that J's overall account arrears wouldn't increase while the PAYG plan was in place – I'm satisfied that J's BBL wouldn't have been defaulted, given that J did make a payment to clear the full outstanding BBL arrears on 2 September 2022.

All of which means that I'll be upholding this complaint in J's favour and instructing Metro to reinstate J's BBL and to amend J's credit file reporting accordingly. I realise this might not be the outcome Metro wanted, but I hope Metro will understand, given all that I've explained, why I've made the final decision that I have.

Putting things right

Metro must reinstate J's BBL and allow J to resume making payments to the BBL in line with the original BBL agreement.

Before any future BBL payments become due, Metro must allow J to avail of any period of the six-month PAYG payment deferment plan that J was unable to benefit from because of the unfair defaulting of the BBL by Metro.

Finally, Metro must remove any adverse credit file reporting relating to the default from J's (or Mr B's if applicable) credit file reporting. J's BBL reporting should show the May 2022 payment as having been missed, with the arrears from that payment having been cleared in September 2022 so that the BBL shows as being up to date beyond that time.

My final decision

My final decision is that I uphold this complaint against Metro Bank PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 8 August 2023.

Paul Cooper
Ombudsman