

Small firms lose battle for bank dispute tribunal

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Nicky Morgan, chairwoman of the Treasury select committee, said it was disappointing that the government would not pursue MPs' recommendations

The government has dismissed a recommendation from a powerful group of MPs to introduce a specialist tribunal through which small businesses could bring disputes against their banks without incurring the costs of a lengthy court battle.

MPs from the Treasury select committee, which is chaired by Nicky Morgan, said such a tribunal would mean that small businesses "will no longer be denied justice" and would ensure they were not "vulnerable to exploitation and mistreatment" by their lenders. The committee made the recommendation in October after an inquiry prompted by scandals over how the Royal Bank of Scotland and HBOS treated their small-business customers.

In a response published yesterday the government, with the Financial Conduct Authority, instead said it would reform the ombudsman service to small businesses and continue a consultation on raising the compensation it can award from £150,000 to £350,000. "The government believes that these reforms create a strong dispute resolution mechanism," it said. The response said the government did not support the introduction of a tribunal because it would involve higher legal costs than making complaints to an ombudsman and it would be slower to resolve disputes.

Ms Morgan said: “There is cross- party support to provide improved access to justice for SMEs so it’s disappointing that the government will not pursue our recommendations.” She said the disputes were typically too complex for the ombudsman.

She was supported by the parliamentary group on fair business banking, which has campaigned for a financial services tribunal. Kevin Hollinrake, its chairman, said: “It is unreasonable to suggest that a business with a turnover greater than £10 million can be in a position to go to court.”