

Clydesdale berated for ‘browbeating’ small business client

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Sally Cameron's business was put into administration by Clydesdale Bank, which also owed her £500,000 in compensation.

AN INFLUENTIAL cross-bench group of MPs has accused Clydesdale Bank of being “completely unreasonable” after denying responsibility for the expenses a client incurred after her business was apparently forced into administration by the bank in order to chase itself for a £500,000 debt.

Clydesdale Bank, which was the sole lender to [Dundee](#) property business Fordlane, took action against the company after it breached the terms of its loans in 2016, eventually forcing the company into administration at the Court of Session in May 2017.

However, papers relating to the administration show that the main debt owed to Fordlane was from Clydesdale Bank itself, which in October 2017 agreed to pay the business over £500,000 to settle a claim for the consequential losses it had suffered as a result of being miss-sold a tailored business loan more than a decade previously.

When it received that settlement Fordlane was able to repay all its debts, the bulk of which were owed to Clydesdale Bank. That allowed the company to come out of administration and it was restored to the control of director Sally Cameron at the end of last year.

However, when Ms Cameron complained about Clydesdale Bank’s conduct to the Financial Ombudsman Service in the hope of recovering some of the £200,000 of fees she said

Fordlane incurred during the administration process, the bank denied any liability. The bank is claiming that as its former owner National Australia Bank (NAB) had put Fordlane into administration the matter should be taken up with it instead. As it was Clydesdale Bank and not NAB that was responsible for the consequential loss settlement that would invalidate Ms Cameron's complaint to the ombudsman.

While Clydesdale Bank, which transferred a chunk of its loan book to NAB in 2012, is technically correct to make this argument, the All Party Parliamentary Group on Fair [Business](#) Banking (APPG) said a complicated arrangement that saw Clydesdale Bank retain legal title to the loans following the transfer meant it had left itself open to accusations of deception.

Ms Cameron said she was not aware that her debt had ever stopped being Clydesdale Bank's responsibility, with all correspondence relating to Fordlane's facilities coming directly from Clydesdale Bank and all documents relating to the administration - including the application to the Court of Session - being filed in the name of Clydesdale Bank plc only.

Kevin Hollinrake MP, co-chair of the APPG, said the circumstances pointed towards this being "yet another disgraceful case of a bank using power and deception to browbeat its own business customer".

"It is little wonder that trust between business and the banking sector is at an all-time low," he said. "Too often, big banks put shareholders' interests ahead of the fair treatment of their own customers."

According to Ms Cameron, Fordlane ran into financial difficulties when the repayments on the tailored business loan Clydesdale Bank incorrectly sold her "went from £2,000 to £12,000 overnight" in the wake of the 2008 financial crash.

Sold on the basis of protecting customers from interest rate rises, tailored business loans included a complex embedded interest rate hedge that saw repayment levels soar when UK interest rates dropped from 5.25 per cent in January 2007 to 2% in December 2008.

After the Financial Conduct Authority concluded that the hedging element of these loans would only be understood by sophisticated as opposed to small business customers, Clydesdale Bank paid Ms Cameron over £107,000 in 2014 to compensate her for the additional interest repayments Fordlane had made as a result of the arrangement.

In the intervening period Fordlane had sold properties at sub-market value in order to stay afloat and Ms Cameron put in a claim to compensate the business for that as well as the rental income it missed out on by no longer owning the properties.

Despite initially offering to pay just under £40,000 in "full and final settlement" of that consequential loss claim, Clydesdale Bank eventually paid out £502,410. This put Fordlane back in a solvent position, something RSM restructuring partner Paul Dounis, who handled the company's administration, said was "quite rare" after an insolvency event.

The APPG is now looking at taking up Ms Cameron's complaint to the ombudsman on her behalf.

Clydesdale Bank declined to make a comment but provided one from NAB, which ceased ownership of Clydesdale Bank when it floated CYBG on the London and Australian stock exchanges in February 2016.

“Fordlane was a customer of National Australia Bank, with Clydesdale Bank as the lender of record,” it said. “NAB placed the business into administration over a £1.5 million debt, comprising of two loans and an unauthorised withdrawal of £750,000 as at the time, the company's debt exceeded the value of the bank's security. NAB had worked with the customer over a six-month period on ways to refinance or repay the company’s borrowings, however this was unsuccessful.”