

The complaint

Mr D is a sole trader. He complains that Lloyds Bank Plc unfairly declined his Bounce Back Loan application.

What happened

Mr D decided to apply for a business account with Lloyds so he could then apply for a Bounce Back Loan (BBL) on 28 June 2020. His personal account was with a bank that was part of the Lloyds banking group – but as it wasn't participating in the BBL Scheme, it directed its customers to Lloyds.

A few days after Mr D had applied, Lloyds declined the application. The bank said it was only opening business accounts for certain customers who held a personal account with it before 2 March 2020 and had been trading before 2 March 2020.

Mr D didn't agree with the bank's decision and raised a complaint. He also sent evidence to Lloyds which he believed supported his application, including his account details and information relating to his 2018/19 tax return.

Lloyds upheld the complaint in part on 18 August. The bank said it had reviewed Mr D's application again and its decision remained unchanged. But Lloyds apologised that Mr D had experienced poor service when he'd called the bank and visited the branch, to try and resolve the problems with his account application. And paid Mr D £100 compensation for the inconvenience caused.

However, Lloyds subsequently changed its decision and opened him a business account on 25 August. Mr D then submitted a BBL application to Lloyds in early September. He didn't receive a response from the bank, so he called on 23 September for an update. Lloyds told Mr D that his application had been successful and the BBL funds had been credited to his account on 15 September, and that he'd been sent an email confirmation.

Mr D tried then tried to transfer the BBL funds from the business account to his personal current account – but the account was blocked. Mr D raised a further complaint as he said the bank's actions were costing his business money. The business account was finally unblocked on 19 October and he was able to make the transfer to his personal account.

Lloyds upheld this complaint in part and paid Mr D £100 for the inconvenience caused and £20 towards the call costs he'd incurred. However it said it couldn't award Mr D for the loss of income he'd suggested, as this was a speculative loss. Mr D didn't agree and asked this service to look into his complaint.

Our investigator recommended the complaint be upheld in part. She said it was reasonable for Lloyds to ask Mr D to open a business account but there had been unreasonable delays in getting the account opened. She also thought the bank had taken too long to undertake its checks for the BBL transfer which meant Mr D had lost out on a month interest free period. So she said Lloyds should refund the month's interest on the BBL and pay a further £200 compensation.

Mr D didn't agree as he didn't think the recommended compensation wasn't enough for the loss he'd incurred – which he believed was around £3,900 for every six weeks - or to make an impact on Lloyds.

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've decided to uphold it in part. I'll explain why.

Mr D and Lloyds have both provided detailed evidence about this complaint. I've taken on board all their points – although I'm not going to respond to each point individually. Instead I'll set out what I consider to be the key points in how I've reached my decision.

Account issues

It's not disputed by either party that it was reasonable for Lloyds to ask Mr D to open a business account with the bank so he could apply for a BBL. However, I don't think Lloyds processed Mr D's application fairly. Mr D had been directed to Lloyds because his own bank – which was part of the same banking group – wasn't participating in the BBL Scheme, but Lloyds didn't give him the opportunity to make this clear before it rejected his initial application. It then rejected Mr D's application for the same reasons despite his explanation that he did fulfil the criteria and the additional evidence he'd provided that showed this.

Mr D raised his concerns with the bank in July, but it took a couple of months for Lloyds to request and then review the information he'd provided and finally process the application. I've also seen that Mr D had to repeatedly chase Lloyds for an update – both by phone and email – as the bank didn't return his calls. And I recognise why he escalated this matter externally as he believed this was the only way to get the bank to review his application fairly. So given that Lloyds had all the information it needed to progress Mr D's application - and the bank hasn't been able to explain why there was a delay - I don't think it treated Mr D fairly.

Transferring the BBL funds

Lloyds has acknowledged that there was a delay in allowing Mr D to transfer the BBL funds from the business account to his personal account as the bank was carrying out further checks. I acknowledge Lloyd's terms and conditions allow them to do this, and that the bank has regulatory obligations to meet. However, I don't think the time it took to undertake these checks was reasonable.

Mr D was making a transfer to his personal account, which the bank had already been given the details of. I've also seen that Mr D explained how his business transactions worked when he was applying for his business bank account with Lloyds. So I think the bank ought reasonably to have been aware that Mr D would want to transfer the money to his account so he could continue trading.

Lloyds has said that the BBL was drawn down into Mr D's business account on 15 September. It was then available to transfer around 19 October. Based on what I've seen, I'm not persuaded that the bank should have taken over a month to complete these checks. I've also seen that Mr D had to chase Lloyds again for updates and to understand what was happening with the BBL funds – which wasn't confirmed until mid-October. Therefore I don't think Lloyds treated Mr D fairly here either.

Putting things right

Mr D has told us that since the investigator issued her opinion, he's agreed with Lloyds that his repayments for the BBL will be deferred for six months in line with the Scheme rules. However, this doesn't reduce the impact of losing the month's interest free period from September to October. So I think the bank should still refund the month's interest payment to Mr D's loan account as recommended by the investigator.

Mr D has also told us the compensation recommended wasn't enough to cover the financial loss his business has incurred. However, although he's provided an estimate of the losses, he believes he's incurred, this relates to a period in 2021 rather than 2020 - so I can't reasonably use this as a fair comparison. I'm also not persuaded that Mr D would have been able to trade in 2020 at the same level he's stated, due to circumstances not related to the delay in receiving the BBL – such as the predictive software issues he's mentioned.

I recognise that Mr D believes he could have made a profit had he had access to the BBL funds sooner, but he's also noted that that market is changeable. So I think it's reasonable to believe that Mr D could equally have made a loss at this time, due to the uncertainty of the markets. Mr D has himself noted that it's difficult to show how a potential loss can be quantified here, as it's dependent on the financial markets - which are subject to fluctuation.

Therefore, whilst I agree that Mr D experienced a loss of opportunity because of the delay in receiving the BBL funds, unfortunately I don't have enough substantive evidence to support the figures he's suggested. This means that based on the evidence available, the potential losses Mr D says he's made are hypothetical and I can't award compensation for this type of loss.

I also acknowledge Mr D thinks we should award more compensation as a corrective mechanism, but we aren't here to fine or punish a business for making a mistake. And as our investigator has already explained, it's not in the remit of this service to look at the impact of a financial business's actions on all complaints. Our powers only allow us to consider individual complaints, so I can only look at the impact of Lloyds' actions on Mr D.

Overall, I think Mr D was caused inconvenience by Lloyds delays in both processing his business account application and undertaking its checks for the BBL fund transfer. So I think the bank should pay Mr D a further £200 compensation on top of the £220 it's already paid.

My final decision

My final decision is that I uphold this complaint in part. I instruct Lloyds Bank Plc to pay Mr D a further £200 compensation for the inconvenience caused and refund one month's interest of the original BBL balance to the loan account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 2 May 2022.

Jenny Lomax
Ombudsman