

## **The complaint**

Mr C is a sole trader. He complains that Lloyds Bank Plc treated him unfairly when it declined his application for a Bounce Back Loan.

## **What happened**

Mr C held a personal account with Lloyds, which he had also been using for business transactions. In March 2021, Mr C decided he wanted to apply for a Bounce Back Loan ('BBL'), so he approached Lloyds to make an application.

Lloyds required their customers to have a business account before they were offered a BBL. Mr C applied to the bank for the business account. However, in April 2021, the account application was declined by Lloyds on the basis that Mr C didn't meet the eligibility criteria for a BBL under the BBL Scheme rules.

Mr C didn't think he was being treated fairly. He believed he met the Scheme criteria and was frustrated by the time he'd spent contacting the bank, so he made a complaint.

Lloyds said it would review Mr C's application under its appeals process if he could provide a copy of his tax return for 2019/20. Mr C wasn't happy to provide this as he said this would show a much lower turnover than he'd declared on the application and, based on this, he wouldn't be able to borrow as much as he wanted. Ongoing discussions took place between Mr C and Lloyds over a few days. However the relationship broke down between the parties and Lloyds withdrew the option for Mr C to appeal its decision a couple of days after the application had been declined.

Lloyds upheld Mr C's complaint in part. The bank agreed that it hadn't returned some of Mr C's calls when it had said it would, so it paid him £50 compensation for the inconvenience. However, Lloyds said Mr C had been given correct information by its staff and it had clearly given the reasons his application had been declined. The bank also said Mr C had been abusive to its staff and declined to provide the further information it had requested to support his application. Lloyds said it wasn't prepared to process any further applications for him.

Mr C didn't think this was fair and asked this service to look into his complaint.

Our investigator thought Lloyds had fairly declined Mr C's account application as the bank didn't have to accept his projected turnover figure. However, he thought Lloyds had given Mr C incorrect information about what figure should be used as turnover for the application. So he recommended the bank increase the compensation by a further £100 to £150 in total.

Mr C didn't agree and asked for an ombudsman to review the complaint, so the case has been passed to me to decide.

## **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.

Under the Scheme there were specific criteria that a business needed to meet before they could apply for a BBL – which included carrying on business on or before 1 March 2020 and maximum permitted borrowing from between £2,000 and 25% of their turnover to a maximum of £50,000.

I think it's reasonable that Lloyds wanted to check this information before proceeding with the account application to ensure Mr C would be eligible for a BBL. I say this because due to the specific circumstances at the time, the bank was only opening new business accounts for customers who were eligible for a BBL (which was different to how Lloyds would normally assess a new business account application). The bank has explained that as part of its business account opening criteria, it needed to see that the turnover amount declared on the business account application was borne out in the account transactions. Lloyds was entitled to set such criteria.

When Mr C initially applied for the account, he said his estimated annual turnover was £300,000, with around £150,000 going through the account and that his business had been established in February 2019. Mr C says that he entered the incorrect start date for his business on the application form and it should have been January 2020 not February 2019. So he'd actually applied using his projected turnover for 2021 not his actual turnover – which he says was permitted under the Scheme rules.

There is no issue with Mr C having used a projection. The application form he completed asked him for a projection for the next 12 months. And businesses that were established after 1 January 2019 could use projected turnover figures when applying for a BBL. However, Lloyds wasn't obligated to accept any figure provided by a borrower and was able to undertake checks to verify the information it had been given.

Although under the Scheme rules, Mr C could use a projected figure for his turnover, by the time he'd made his application in March 2021 the business had been trading for over a year. So the bank was able to see a year's worth of turnover going through Mr C's account, which was around £176,000 for transactions which appear to be linked to his sole trader business. And this amount, along with the tax return for the quarter which Mr C says was around £30,000, were significantly less than the estimated figure that Mr C had provided. Lloyds decided that based on the information it seen, it wasn't prepared to accept Mr C's projection – I think this was reasonable.

Mr C is also unhappy that Lloyds asked him for a copy of his tax return to show his income. He says this wasn't a true reflection of his income as it would only show around £30,000. But I think this was a reasonable request as part of the bank's efforts to assess Mr C's turnover to inform whether it could provide a business account and therefore a BBL to Mr C. And this request was in line with the Scheme rules, and therefore the banks account opening criteria at this time.

However, whilst I think the bank fairly declined Mr C's application, I can see that it did give him incorrect information about the turnover figure which could be used to apply for a BBL. In error, Lloyds told Mr C that if his tax return only showed £30,000, the bank would only be able to give him a BBL for 25% of this amount, so £7,500. Lloyds didn't recognise that this was only a quarterly tax return, and therefore if the tax return was to be the basis of the BBL amount the bank was prepared to lend, it would have needed to look at 25% of the years turnover of £120,000, and therefore a loan of £30,000.

I think this increased Mr C's frustration as he believed Lloyds was acting outside of the Scheme rules. I'm satisfied that this wasn't the case – as ultimately the bank is entitled under

the Scheme rules to ask for further information – but I think this could have been explained to Mr C more clearly. I've also seen that because Mr C didn't feel he was getting a reasonable response from the bank, he made repeated calls – throughout which his frustration escalated and eventually the bank withdrew its offer to look at Mr C's application again.

I think the bank's decision to withdraw his application from the appeal process was reasonable, however, I think Lloyds caused Mr C distress and inconvenience that could have been avoided. So I think Lloyds should pay Mr C a further £100 for the distress and inconvenience caused.

### **My final decision**

My final decision is that I uphold this complaint. I instruct Lloyds Bank Plc to pay Mr C a further £100 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 September 2022.

Jenny Lomax  
**Ombudsman**