

## **The complaint**

Ms K, a sole trader, is unhappy that Lloyds Bank PLC didn't update her address and telephone number on her Bounce Back Loan ("BBL") account. Ms K feels that because she didn't therefore receive notifications that payments were due on her BBL or that it had fallen into arrears, that she shouldn't be considered responsible for the subsequent defaulting of the BBL by Lloyds for non-payment.

## **What happened**

In June 2020, Ms K successfully applied for a BBL for £3,750 and received the loan funds into her Lloyds business bank account that same month. As per the BBL scheme, Ms K wasn't required to make any payments towards the BBL for the first twelve months, meaning that she was scheduled to begin making payments towards the loan in July 2021.

On 28 September 2021, Ms K contacted Lloyds and updated her address and telephone number with them. However, while Lloyds updated most of Ms K's accounts, they didn't update the information on the BBL account. This meant that, regarding the BBL account, Lloyds continued to send letters and text messages to Ms K's old address and phone number, such that she never received them.

Several months later, Ms K was contacted by a debt recovery agency ("DRA") at which time she discovered the Lloyds had defaulted her BBL for non-payment and passed the debt to the DRA to collect. Ms K wasn't happy about this, especially as she hadn't received any notices from Lloyds that her responsibility to make payments towards the BBL had begun or that any BBL payments had been missed. So, she raised a complaint with Lloyds.

Lloyds acknowledged that they hadn't updated Ms K's details correctly on the BBL account and they apologised to Ms K for this and made a payment of £80 to her as compensation for any upset and inconvenience that may have caused. However, Lloyds didn't accept that their not updating Ms K's details correctly meant that they were responsible for Ms K's BBL being defaulted for non-payment, and so didn't uphold that aspect of her complaint. Ms K wasn't satisfied with Lloyds' response, so she referred her complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Lloyds should fairly be considered responsible for Ms K not making payments towards the BBL as Ms K contended and felt the response Lloyds had issued to Ms K's complaint already represented a fair outcome to what had happened. Ms K remained dissatisfied, 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.

I issued a provisional decision on this complaint on 5 July 2023 as follows:

*Ms K feels that, because Lloyds didn't update her address and telephone number on her BBL account correctly, and so sent notices about that account to an incorrect*

*address and telephone number, that Lloyds should be considered responsible for her not making the payments she was required to make on the BBL, when that requirement to do so began.*

*I don't agree with Ms K here, and instead I feel that it was Ms K's responsibility, as the BBL account holder, to have been aware of the status of her BBL account, including when she was required to begin to make payments towards it.*

*One reason I hold this position is because Ms K was given information when she took out the BBL as to when she would be required to make payments towards the loan. To that effect, I note the following from the 'what you must pay' section of the BBL facility email sent to Ms K by Lloyds at the time the loan was taken out in June 2020:*

*"... you don't need to make any payments for 12 months. You must then make 60 monthly payments of £62.50. You must also pay interest that we charge for each month. These payments start 13 months after we pay the loan to your account."*

*It must also be noted that when Ms K contacted Lloyds to update her details at the end of September 2021, she had already missed the payments towards the BBL that she was required to pay in July, August, and September 2021 – meaning the BBL was already three months in arrears when Ms K contacted Lloyds to update her details with them.*

*It seems to me that there are two possible scenarios here. Either Ms K contacted Lloyds soon after she changed her address and telephone number, meaning that the letters and text messages that Lloyds sent to the old details about the missed payments in July, August, and September were sent at a time when those details were correct, meaning that those communications were received by Ms K and not acted upon by her. Or Ms K didn't update her address and telephone number with Lloyds in a timely manner, meaning that the reason she wasn't receiving the communications Lloyds sent in those months was because of her own inaction.*

*Whichever of the two scenarios described above is correct, it seems clear that Lloyds didn't do anything wrong regarding these three payments and how they issued messages and letters to Ms K about them. Accordingly, I'm satisfied that Ms K should be considered solely accountable for not making these payments towards the BBL as she was supposed to.*

*I also feel that Ms K's responsibility and accountability for her BBL remains intact beyond this point. This is because, ultimately, I feel it was Ms K's responsibility to have taken note of when she needed to make payments towards the BBL and to have monitored her BBL account – which, in the absence of received statements and letters, she could have done either online or by telephoning Lloyds and asking about it, or in reference to the information she was given when she opened the BBL – as described previously. And I feel that Ms K's responsibility in this regard remained even after she'd contacted Lloyds and after Lloyds had failed to update her address and telephone number as they should have done.*

*So, while I accept that Lloyds did make a mistake here by not updating Ms K's details correctly, I don't consider that mistake as being the main contributing reason that Ms K defaulted on her BBL account. Instead, I feel that Ms K defaulted on her BBL because she failed to make payments towards the BBL which it was her responsibility to have been aware of and which she should reasonably have been*

aware of given the information that had previously been provided to her and the access to the BBL account she had.

However, Ms K does make a valid point that Lloyds have an obligation to provide a default notice to her before defaulting her account. And because Lloyds didn't update Ms K's address and telephone number correctly, the fact is that they didn't provide a notice of default to her. I've therefore considered what I feel may have happened, had Ms K received the default notice to her correct address, had Lloyds not made the error in not updating it.

Lloyds sent the default notice to the incorrect address on 1 November 2021, and that notice gave Ms K 14-days to repay the balance of the BBL, which was £3,785.83. Upon review of Ms K's statements for her Lloyds accounts, it's notable that the business current account generally retained a low balance around this time, and that on 1 November 2021 her personal current account was approximately £630.00 overdrawn.

However, it's also notable that on 8 November 2023 – which was within the 14-day timeframe given on the default notice – Ms K received £5,000.00 into her personal current account. And while a large outbound payment made immediately after receiving the £5,000.00, which took the balance of the account down to approximately £3,100.00, I do feel that there may have been a chance that Ms K could have made the necessary payment of £3,785.83 to Lloyds within the 14-days to avoid the defaulting of the BBL.

As such, my provisional decision here will be that I'll be upholding this complaint on the basis that Lloyds must give Ms K the same opportunity to repay her BBL within 14-days that she wasn't originally given because of the sending of the default notice to the wrong address.

This means that if Ms K is able to pay the £3,785.83 required of her at the time of the default notice within 14-days of the date that I issue any future final decision in confirmation of this provisional decision – which I provisionally intend to do around 20 July 2023 – that Lloyds must consider the BBL as being paid before the 14-day deadline given in the 1 November 2021 default letter had expired, and must amend their credit file reporting accordingly from November 2021 onwards to show that no default occurred.

However, if Ms K can't take advantage of this opportunity to repay the BBL within 14-days, then I feel it would be fair for the default that Lloyds recorded following the 1 November 2021 default notice to remain in place and continue to be reported to the credit reference agencies as it presently is.

Lloyds have apologised to Ms K for not updating her details correctly on the BBL account, and they've made a payment of £80 to Ms K as compensation for any inconvenience and trouble this may have caused. Matters of compensation can be subjective. But given the full circumstances here – including that I don't feel that this failure to update Ms K's details should fairly or reasonably be considered as consequential as Ms K contends – the £80 that Lloyds have already paid Ms K does feel like a fair amount here. And I can confirm that it's commensurate with what I may have instructed Lloyds to pay, had they not already done so.

Again, I must reiterate that I don't consider this compensation amount to be in any way for Ms K incurring the defaulting of her BBL, but solely for the isolated upset and inconvenience she incurred at discovering that her address and telephone number

*hadn't been updated when it should have been – which, as explained above, I don't accept was an event which directly led to Ms K not making payments towards her BBL.*

*Ms K also feels that because her address and telephone number weren't updated correctly, she was denied access to payment deferment options that were usually available to BBL account holders. But such payment deferment options were generally only available when payments on a BBL were up to date. And given that Ms K's BBL was already three months in arrears when she attempted to update her contact details with Lloyds, I don't feel that she was likely deprived of these possible options in the manner that she contends.*

*Finally, Ms K is unhappy that Lloyds passed her BBL debt to a DRA without her consent. However, the transferal of debt to a DRA is a common practice and one which is addressed and permitted both by the facility letter emailed to Ms K and by the terms of the BBL – which Ms K agreed and consented to when she took the loan. And Lloyds didn't require any further authorisation from Ms K beyond this to transfer the debt to the DRA as they did.*

Ms K responded to my provisional decision and provided information about her personal and financial circumstances in 2021, including that she left her previous address in April 2021 before updating it with Lloyds in September 2021. However, while I acknowledge that Ms K was going through a difficult time, I still feel that ultimately, as the account holder, it was for Ms K to have monitored and managed her Lloyds accounts, including the BBL. And this includes updating her contact preferences with Lloyds.

Ms K has explained that she had a mail redirection in place from her old address but never received any redirected letters from Lloyds. But I'm satisfied that Lloyds did send letters to Ms K at her old address. And I wouldn't hold Lloyds accountable for these sent letters not being redirected to her – given that the redirection of letters isn't something over which Lloyds have any control.

Ms K has also said that she had several phone calls with Lloyds personal and business banking teams during 2021 and at no time did anyone mention the BBL. But I don't feel that it's unfair or unusual for telephony agents to discuss the specific account they're asked about by the telephoning customer and to not pre-emptively review other accounts without a request. And I also feel that these telephone calls gave Ms K an opportunity to update her understanding of the present state of the BBL by asking the agents about it – in line with her responsibilities as the BBL account holder.

Finally, Ms K feels that Lloyds should have contacted her to offer the PAYG deferment options to her before the payments became due on her BBL. But there wasn't requirement for Lloyds to reach out to BBL account holders in the manner that Ms K suggests here. And Lloyds have confirmed that information about PAYG options was added to their website and internet banking platforms for their customers to review.

And, as per the above, I feel it was incumbent on Ms K as the account holder to have monitored and understood her BBL account and to have requested a PAYG payment deferral before the payments on the BBL started to become due, if she'd wanted to benefit from such a deferral.

All of which means that it remains my position that Lloyds haven't done anything wrong or unfair by administering Ms K's BBL in line with how the BBL agreement confirmed to Ms K when she accepted the loan how the BBL would be administered.

Accordingly, while my final decision here will be that I'll be upholding this complaint in Ms K's favour, I'll only be doing so on the limited basis as described in my provisional decision.

I realise this won't be the outcome Ms K was wanting, but I hope she'll understand, given all that I've explained, why I've made the final decision that I have.

### **Putting things right**

Lloyds must give Ms K the same opportunity to repay her BBL within 14-days that she wasn't originally given because of the sending of the default notice to the wrong address.

This means that if Ms K can pay the £3,785.83 required of her at the time of the default notice by 2 August 2023 – which is 14-days from the date of this letter – Lloyds must consider the BBL as being paid before the 14-day deadline given in the 1 November 2021 default letter had expired and must amend their credit file reporting accordingly from November 2021 onwards to show that no default occurred.

However, if Ms K can't repay the BBL within 14-days from the date of this letter, then the default that Lloyds recorded following the 1 November 2021 default notice should remain in place and continue to be reported to the credit reference agencies as it presently is.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 16 August 2023.

Paul Cooper  
**Ombudsman**