

The complaint

Mr and Mrs K complain that Lloyds Bank PLC is unfairly pursuing them for repayment of a business loan.

What happened

Mr and Mrs K entered a secured business loan agreement with Lloyds in 2008, borrowing £575,700. In October 2012, the bank issued a formal demand for repayment of the balance of the loan, and in November 2012 the account was passed to the bank's recoveries department. After that, Mr and Mrs K made regular monthly payments and there were exchanges between the parties regarding the debt. In 2017 there were discussions about the option of a lump sum payment to settle Mr and Mrs K's liabilities to the bank, but in the end there was no agreement. The bank continued to seek repayment of the debt, though in 2022 it said it was still willing to consider any reasonable and realistic offer to settle Mr and Mrs K's liabilities.

In 2022, Mr and Mrs K complained to Lloyds about their business loan, saying that the bank had advised them wrongly at the time of the loan agreement and that the bank was unfairly seeking repayment in full when they had an agreement to repay over 25 years. Unhappy with the bank's response, Mr and Mrs K referred their complaint to us.

Mr and Mrs K also complained about sums that Lloyds has sought from them under personal guarantees given for the borrowing of a limited company which entered liquidation in 2012 and was dissolved in 2014.

Our investigator explained that the Financial Ombudsman Service has no powers to consider a complaint about a personal guarantee given before April 2019 in support of the complainant's own business. As Mr and Mrs K had been the directors and shareholders of the company, we're unable to consider any parts of their complaint related to their personal guarantees.

The investigator looked at the evidence about the business loan and concluded that the bank hadn't acted unfairly. She gave these reasons, in summary:

- Mr and Mrs K have complained that Lloyds incorrectly advised them to take the loan, which they believe should have been made to the company. But the investigator said that the business offer document made it clear that no recommendation was given. She said there was no evidence that the bank had acted as advisers.
- The bank sought full repayment because of an act of default.
- Lloyds was under no obligation to settle for a lower amount than it was owed. However, it had previously offered to accept £450,000 to settle matters, and in its final response to the complaint, the bank said it was willing to accept a reasonable lump sum.
- The debt was long-standing and the investigator thought Lloyds had given Mr and

Mrs K plenty of time in this matter.

Mr and Mrs K didn't agree with the investigator's conclusions. On their behalf, their representative made the following points, in summary:

- The crux of the complaint is what the bank is entitled to claim, and whether it is entitled to full payment on demand.
- In March 2012, Lloyds agreed to amend the terms of the loan so that repayment would be taken in 317 monthly instalments, so how can the bank be entitled to all its money now? Mr and Mrs K have never defaulted on these repayments.
- The bank has unfairly threatened Mr and Mrs K with repossession proceedings.

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'm sorry to disappoint Mr and Mrs K, but I've reached the same conclusions as the investigator.

I haven't considered the complaints about the guarantees. The investigator was correct to say that personal guarantors, under our rules, aren't eligible complainants if the guarantees were given before April 2019 in support of their own business – which is the case here. I note that the bank is pursuing some debt that arises from the guarantees, and I stress that I'm not able to consider Mr and Mrs K's complaints about those liabilities.

I've looked at the 2008 business loan agreement and the associated business offer document. Those documents made clear that the lending wasn't regulated and that no recommendation was made to the customers. I'm satisfied that Lloyds didn't act as an adviser in the sale of the loan, and that it wasn't required to give advice to the customers. The bank was entitled to make an offer to Mr and Mrs K, and to provide information about that product. It was for Mr and Mrs K to decide whether to enter the agreement, after taking whatever advice they thought appropriate. I don't think the bank acted unfairly or unreasonably in offering and agreeing the loan in 2008.

The loan was originally to be repaid over 20 years, then there was an agreement in March 2012 to extend that period. Mr and Mrs K have made repayments in line with the March 2012 agreement, and their representative argues that the bank isn't entitled to require full repayment of the loan. Lloyds has said the formal demand for repayment in full was issued following an event of default as defined in the general terms and conditions of the loan.

I can see that the March 2012 agreement amended the repayment period of the loan and the interest arrangements, but it also said that all other terms and conditions would remain unaltered. I'm therefore satisfied that the definitions of events of default in the original loan agreement remained applicable. So I don't find that the March 2012 agreement prevented the bank from issuing a demand for repayment in full in the circumstances of an event of default as defined in the terms and conditions.

The bank issued its formal demand for repayment in October 2012. Having looked at the definitions in the loan agreement, I don't find it unreasonable for the bank to have said that there was an event of default at the time. During 2012, a company owned by Mr and Mrs K had entered liquidation and there were clearly some negotiations regarding rescheduling of loan repayments. I'm satisfied that Lloyds issued its formal demand based on the default

provisions in the terms and conditions of the loan, and I've seen nothing to persuade me that it wasn't entitled to do that.

For the above reasons, I don't think the bank has acted unreasonably in pursuing repayment of the business loan debt in full.

As far as I can see, the bank has taken into account Mr and Mrs K's regular repayments in its calculation of the balance owed on the business loan.

Mr and Mrs K's representative has said there was a security cap of £650,000 in relation to the charge on the property. In my view, this doesn't make any difference to the amount Mr and Mrs K owe on the business loan, which in any event is less than £650,000.

Lloyds has charged no interest on the debt since the loan account was transferred to the bank's recoveries department in 2012, and it has attempted to reach a settlement with Mr and Mrs K. Given these actions and the length of time that the debt has been outstanding, it's my view that the bank has shown flexibility and patience. In the circumstances, a decade after the formal demand was issued, I don't think it was unfair or unreasonable of the bank to say that a lump sum settlement would avoid the need to commence possession proceedings.

I note that Mr and Mrs K's representative has concerns about the ombudsman establishing what liability is legally enforceable by the bank. But I should point out that I'm not making such a finding – nor could I, as that would be for a court to decide. The role of the Financial Ombudsman Service is to resolve disputes between parties quickly and with minimum formality. I'm required to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case, and that's what I've done here.

For reasons given above, I don't find that Lloyds have acted unfairly or unreasonably regarding Mr and Mrs K's business loan.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs K to accept or reject my decision before 23 February 2024.

Colin Brown
Ombudsman