

The complaint

Mr O, a sole trader, complains that Lloyds Bank PLC have unfairly put his Bounce Back Loan (“BBL”) into default as a result of the staff at one of their branches being unable to find him on their system.

What happened

Mr O took out a BBL in January 2021. Under the BBL scheme, no repayments of capital or interest were required in the first year, so the first repayment was due in February 2022.

In March 2022, Mr O telephoned Lloyds. He said he had expected to receive a letter saying when his repayments were starting but he had not received anything. The bank told him that his first repayment had been returned unpaid as his business current account was overdrawn.

It transpired that Mr O’s business account was overdrawn due to monthly service charges, which the bank agreed to refund. Mr O made a transfer to make up February’s payment. The refund of service charges covered March’s payment.

Mr O says he was told that he should go into a branch each month to make a transfer from another Lloyds account to cover the BBL repayment. But when he tried to do this, the member of staff in the branch said she “couldn’t find him” on their system, so no payment was made.

Lloyds says that they tried to phone Mr O and sent regular letters about the arrears throughout most of 2022. In October 2022, they declared the loan in default and issued a formal demand for repayment of the full balance. They then passed the loan and Mr O’s business current account overdraft to a third party debt collection agency.

In December 2022, Mr O complained. The bank agreed that the branch should have done more to help him. But they didn’t think they’d done anything wrong by transferring his loan to their Recoveries department and then the external agency.

Mr O continued to complain, but he didn’t feel that the bank had understood his complaint correctly. So he asked the Financial Ombudsman to look into the matter.

Two of our investigators have looked into what happened, but neither thought that Lloyds had done anything wrong, although they agreed that the bank could have been more helpful when Mr O visited the branch.

Mr O disagreed. He was concerned about his credit file and he felt that Lloyds should be held responsible for the default of the BBL because they had denied him the opportunity to make the payment in branch. He felt that the incident in branch meant that he had fulfilled his obligations under the contract, but Lloyds had failed to fulfil theirs.

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 reached the same conclusions as our investigator, for essentially the same reasons. I know this will be a disappointment for Mr O, so I'd like to explain why.

This complaint hinges in my view on Mr O's branch visit. There is no record of this visit and I haven't been told when or where it took place. But Lloyds have accepted that it occurred and that they let Mr O down by not offering him more help. This shouldn't have happened and I can understand why it has upset Mr O.

However, I disagree with Mr O that Lloyds' failure to assist him on that one occasion meant that he had fulfilled his obligations under his contract with the bank. The contract in question the BBL scheme facility letter. This lists the obligations of both parties. Section 2 said:

"2. You are responsible for the repayment of your loan

The BBLS guarantee is provided to your lender and not to you. You remain responsible for repaying the whole of this loan at all times and if you fail to do so this may negatively affect your credit score or rating with credit rating agencies".

I think this made it clear that Mr O remains responsible for repaying the loan at all times. There's nothing to suggest that one thwarted attempt to pay in a branch - followed by the discovery that that particular branch had closed - takes away that responsibility. So I'm satisfied that Mr O remains liable under the terms of the contract.

I have also considered whether it is fair that the contract should apply in the circumstances here. Mr O chose to take out the loan and had the use of the money. My view is that, even if the bank are occasionally less helpful than they should be, it is only fair that he remains responsible for paying the loan back.

In terms of the bank's responsibilities, there is nothing in the facility letter that says that the bank is obliged to take payments for the loan in branch. I have also seen no evidence to suggest that the bank ever told Mr O that this was the only way of making his monthly payments.

I know Mr O has said that he had another Lloyds account with plenty of funds. But that was a personal account. In my opinion, Mr O knew that Lloyds weren't going to take the money from that account without some action on his part.

I can also see that Mr O knew that visiting the branch was not the only way to make repayments, since he had managed to transfer funds during a phone call to make up the first month's arrears. He could therefore have phoned up Lloyds again when the visit to the branch failed to fulfil its purpose.

It seems that some of the bank's initial correspondence may have been sent to an email address that Mr O used for his application, but to which he did not normally have access. As a result, he didn't receive any communication telling him when repayments should start. However, I believe this was satisfactorily resolved following his phone call in March 2022, when the arrears were cleared and his credit file corrected. I say this because the action taken on that call put him back in the position he would have been in if he'd been told when the repayments fell due.

Lloyds' records indicate that they sent Mr O a large number of letters about the loan arrears and the business overdraft. These all went to the same address he gave our service and I have seen copies of some of them. Mr O has said he didn't receive them. But I don't consider it would be fair to hold Lloyds responsible for the non-receipt of correctly addressed mail. It also seems to me that Mr O's phone call to the bank in March 2022 was prompted by the receipt of at least one of these letters – the one telling him he'd missed his first payment.

By the time the bank issued a formal demand for the whole balance of the BBL, the loan was at least six months in arrears and the bank had made a large number of attempts to contact Mr O. I'm satisfied that Lloyds followed good industry practice in the way the formal demand, transfer to Recoveries department and then the transfer to third party debt collectors, were carried out. I'm therefore not going to instruct them to do anything differently.

I know Mr O is concerned about the bank's reporting on his personal credit file. I have not been provided with a copy of his credit profile. But given that arrears current exist on the BBL - and that I have concluded those arrears remain Mr O's responsibility - I don't think it would be unfair for those arrears to be reported accurately on his file.

Our investigator has already informed Mr O that his loan and current account have been recalled from the third party agency and are currently with the bank's Recoveries department. So I will leave it up to Mr O to get in touch with them using the details he has been given to discuss repayment of the debt.

My final decision

My final decision is that I do not uphold this complaint .

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 17 April 2024.

Louise Bardell
Ombudsman