

The complaint

Mr L complains that The Enterprise Fund Limited (trading as GC Business Finance) miscalculated his loan payments and provided a poor service.

Mr L is represented throughout by his mother, Mrs L.

What happened

Mrs L told us:

- Mr L had a business loan with The Enterprise Fund Limited ('EFL') which he took out for her business.
- EFL said that Mr L's account was in arrears, but there hadn't been any missed repayments apart from when EFL had agreed a three-month repayment holiday in 2020 due to Covid-19. She'd made the repayments to Mr L's account and had made a payment for £2,000 which wasn't showing on the loan account.
- She'd previously held loans with EFL herself and in error, the lender had credited her repayments to someone else's loan account, and she believed that was the case here.
- She wanted EFL to locate the missing repayment and correct Mr L's loan account, but when she called the lender was unhelpful and she felt like she was being fobbed off.

EFL told us:

- Both Mrs L and Mr L had initially held loans with it. All the loans had been repaid except one in Mr L's name which had a balance of around £12,300 outstanding.
- In February 2023, Mrs L had disputed the amount outstanding on Mr L's loan and said the outstanding balance should be £2,000 less. It had asked Mrs L for proof of the missing payments. However, she'd said she didn't have the time to provide the proof.
- In April 2023, Mrs L raised a subsequent complaint and said that £2,000 had been paid to Mr L's loan instead of her own. It believed that because Mrs L was making the payments for Mr L's loan, as well as her own, she had entered the incorrect loan reference when making the payment. It had made the £2,000 repayment to Mrs L's loan as requested at that time.
- There had been several periods, totaling eighteen months, where repayments hadn't been made to Mr L's account. This meant there were arrears of around £6,500 on the loan. It had asked for evidence to show the outstanding balance was incorrect and payments hadn't been applied correctly but this hadn't been supplied. It had reviewed

Mr L's account and based on its records, there was no error.

Our investigator didn't recommend the complaint be upheld. He said he hadn't seen any evidence that EFL had said it wouldn't apply any interest to Mr L's loan account for the period where no repayments were made. He didn't think that EFL had made an error in applying the interest to Mr L's account when he'd missed payments, or when it had credited payments to the loan account. So was satisfied that EFL hadn't done anything wrong.

Mrs L didn't agree and asked for an ombudsman to review the complaint. Mrs L said that all the missed repayments had been paid back, and that interest had been applied despite the repayment holiday. She also said that the repayment holiday had been extended with EFL during a call.

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 not to uphold it. I'm sorry to disappoint Mr L and Mrs L, but there's not much more that I can add to what our investigator has already said.

Mrs L told us that she made a repayment of £2,000 to Mr L's account and that she believes EFL incorrectly credited this to the wrong account. However, I'm not persuaded that's the case. I say that because I've seen evidence from EFL that shows a payment for £2,000 was received, but this was credited to a loan account in her name, as per the instruction from her bank. So, I can't fairly say that EFL made an error here.

Furthermore, Mrs L says that the interest charged by EFL was incorrect and that the lender hasn't taken into consideration that larger payments were made to the account to clear the outstanding arrears. But I don't agree. I've reviewed Mrs L's calculations and Mr L's loan statement and I can see that the larger payments were credited to the loan account and have reduced the outstanding arrears as I would expect. I've also looked at the interest which was applied to Mr L's account, and I'm also satisfied that this is in line with what I'd expect.

However, I think there may be a misunderstanding here about how and when interest would be applied to Mr L's loan, and the number of missed payments on the loan account - and therefore the impact on the outstanding arrears when any subsequent larger payments were received. Firstly, I want to clarify to Mrs L that even though a repayment holiday was granted by EFL, this doesn't mean that Mr L wouldn't have needed to pay the interest on the contractual repayments. This is interest that was due in line with agreement signed by Mr L, the repayment holiday was simply so that a repayment didn't have to be made for a certain period and was effectively deferred – not that it wouldn't need to be made at all.

I recognise that Mrs L says that the interest being charged is crippling. But, based on the evidence I've seen I'm satisfied that the interest being charged by EFL is in line with the agreement signed by Mr L and would always have been payable at some point, (give or take any extra interest payable where payments were missed or deferred) either when the payments were due initially or after the repayment holiday had ended. So, I don't think it was unreasonable of EFL to apply interest to the loan in line with the agreement.

I can see that EFL told Mrs L that it wasn't able to set up a direct debit from her account to pay Mr L's loan, and that Mrs L would need to set up a standing order to make this payment instead – which she agreed. However, I can't see that there were any repayments made to the loan between November 2020 and September 2021, by which point the account was

fourteen months in arrears. I acknowledge that Mrs L subsequently made overpayments to Mr L's loan account, however I can see from the statements that these overpayments weren't sufficient to clear all the missed repayments that have occurred on the account. I have reviewed the statements and I don't think EFL has made an error with Mr L's loan balance based on the payments it received. I'm also satisfied that Mr L didn't ask for the repayment holiday from February 2021 onwards. However, I don't think he has suffered any disadvantage as a result.

I recognise that Mrs L also says that EFL agreed an extension to the repayment holiday on Mr L's account. Unfortunately, EFL has told us that it doesn't have any calls available as it only retains these for six months. But in any event, I'm not persuaded that EFL did agree to the extended repayment holiday, or that it makes a difference here. I say that because EFL had already granted a repayment holiday to Mr L, and I think on the balance of probability, there would be a record of this conversation on Mr L's account file, and I have no reason to doubt that EFL would have extended this if asked, as Mrs L has explained the reason for the request was the same as she'd given for the first repayment holiday.

Furthermore, EFL has told us that Mr L had discussed taking out a new loan facility, which it wouldn't have been able to provide had he still been on a repayment holiday. But in any event, Mr L didn't make any repayments to his account between November 2020 and September 2021, and EFL didn't chase for the repayments during that time, nor have I seen any evidence that EFL charged Mr L for those repayments not being made or reported the missed repayments to the credit reference agencies. It appears Mr L had the benefits of a repayment holiday without one being formally agreed, so I'm not persuaded that EFL behaved unreasonably here.

However, I do need to make Mr L and Mrs L aware that EFL has told our service that should any further repayments be missed, that it will report these to the credit reference agencies. As EFL has an obligation to report accurate information to the credit reference agencies, I am unable to say that it would be unfair for EFL to take this action moving forward.

I know Mr L and Mrs L feel strongly about this complaint. However, based on the evidence available I'm not persuaded that EFL has made an error with the interest on Mr L's account or the outstanding balance. I also think EFL has treated Mr L fairly here, so I won't be asking it to do anything more.

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 L to accept or reject my decision before 2 January 2025.

Jenny Lomax
Ombudsman