

## **The complaint**

Mr T and Miss C complain that Lloyds Bank PLC caused delays and made unreasonable requests which caused their business loan to expire before they borrowed the funds. They re-applied, but Lloyds declined to lend. Mr T has dealt with the complaint throughout.

## **What happened**

Mr T contacted Lloyds in 2019 about applying for a secured business loan to refinance a secured loan with another lender. The refinancing was delayed due to the Covid-19 pandemic and a fire at one of the properties offered as security for the loan.

Lloyds agreed to lend in May 2022 subject to conditions. Lloyds says the conditions were not satisfied before the loan expired (later in 2022). It says the solicitor acting for Mr T and Miss C didn't provide lease details until early 2023. Lloyds said at this point they needed to start a new application. Lloyds declined the application saying it didn't meet lending criteria.

Mr T says Lloyds treated them unfairly. He says they weren't told there was a deadline to borrow the money. He says Lloyds' requirement that he extend the property leases was unreasonable. Mr T says the relationship manager agreed the condition was excessive and he should "leave it with her". He says it was unfair for Lloyds to decline the new application in 2023.

Our investigator said delays prior to 2022 weren't caused by Lloyds making an error or being unreasonable. He said the loan agreements issued in May 2022 set out the conditions and the expiry dates. As business customers he'd expect Mr T and Miss C to be aware of this. One of the conditions was that the property leases had terms satisfactory to Lloyds. And that the solicitors provided a report on title for each property. Our investigator said there was no evidence of the discussions Mr T said he had with the relationship manager or that Lloyds said it would waive any conditions. Our investigator said it was reasonable for Lloyds to apply its lending criteria to the application made in early 2023.

Mr T didn't agree. In summary, he said Lloyds' service was poor, its time frame was unreasonable and it caused him to incur additional interest and the unnecessary cost of extending the leases. He said his discussions with Lloyds were on unrecorded calls which meant he wasn't able to provide evidence to support what he'd told us.

## **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.

Mr T had discussions with Lloyds by telephone. Unfortunately, there aren't any call recordings available. While I understand Mr T's frustration about this, I can reach a fair decision based on the evidence that is available. I should explain that where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Mr T told us his main concerns are about Lloyds failing to tell him the loan offer had expired and requiring him to renew property leases. After he incurred costs related to the leases, Lloyds realised the loans had expired and told him he had to re-apply. He says it was unfair for Lloyds to then decline to lend and it should have honoured its offer. He says Lloyds' service was poor and it caused delays.

Mr T contacted Lloyds about refinancing his business loans in 2019. This was delayed by a fire at one of the properties and the related insurance claim and the Covid-19 pandemic.

I can't fairly find that delays with the application prior to 2022 were due to errors by Lloyds. Lloyds didn't accept the fire damaged property as security for the loan. I think this was reasonable. Lloyds is entitled to make a commercial decision about what properties are suitable security for a loan. Lloyds would have proceeded with a smaller loan secured on Mr T and Miss C's other properties. However, Mr T's existing lender would only release its charges if its loan was repaid in full and the charges released on all of the properties. This held things up until 2022.

In 2022 Mr T and Miss C were in a position to refinance. Lloyds issued two loan agreements in May 2022. These had conditions that had to be satisfied before the loan could be drawn and a deadline for the loan to be drawn.

Mr T says he wasn't provided with paperwork or made aware of any deadline, so he didn't think there was any urgency.

Lloyds provided a copy of the two loan agreements. These were signed by Mr T and Miss C in early June 2022, so I think they did receive them. Each loan agreement says the loan has to be borrowed in one amount on or before a specific date (in each case, later in 2022). The loan agreements say unless Lloyds agrees otherwise the preconditions must be satisfied before any borrowing, and they wouldn't be entitled to borrow after the specified date.

I don't think it's unfair for Lloyds to include a time limit for a loan to be drawn. And this is clearly set out in the loan agreements. These were business loans and it's reasonable for Lloyds to expect Mr T and Miss C to read the loan agreements. I think Lloyds did enough to make them aware of the deadline to draw the loans.

One of the preconditions was that leases for the properties had to be in place with terms (including term and rent) acceptable to Lloyds. I don't think this is unreasonable. Lloyds took rental income into account when making a lending decision. It wanted to ensure that the properties were marketable if it did have to rely on the security to recover the loan.

Mr T says Lloyds' requirements regarding the property leases was disproportionate. He says it took time to liaise with his tenants, who had to take legal advice about the amendments to the leases. He says Lloyds' relationship manager agreed the requirements were excessive and said she'd contact the relevant department and to "leave it with her".

Lloyds says calls with the relationship manager aren't recorded. There's no record of these discussions in the information provided by Lloyds. Mr T is unable to provide evidence of these discussions with the relationship manager, such as an email to Lloyds chasing a response or an email to his solicitors referring to the discussion. Without evidence to support what Mr T has said – in effect, that Lloyds misled him that it would waive the precondition or was considering doing so – I can't fairly find that this was the reason the deadlines in the loan agreements were missed.

The solicitors acting for Mr T had to provide a report on title to Lloyds for each property offered as security. The timeline provided by the solicitors say they received an email from

Mr T in June 2022 saying he'd send copies of the old and new leases. Lloyds chased the solicitors for an update several times in August, September, October and November 2022. The solicitors received leases from Mr T in late 2022, but said these were in draft form, incorrect or were missing information. The solicitors sent the reports on title to Lloyds on 20 February 2023.

Mr T says Lloyds should have told him the loans had expired, and shouldn't have continued to ask for him the leases. Lloyds notes say it did tell Mr T the loan agreements had expired and he'd need to make a new application. But even if it hadn't, the latest date to draw down the loans was set out in the loan agreements.

I can't fairly find that Lloyds should have proceeded to lend without receiving the reports on title for the properties. It's entitled to ask for confirmations about the security for the loan.

The loan agreements had expired some three to five months before Lloyds received the reports on title (in February 2023). I don't think at this point I can fairly find that Lloyds should have proceeded to lend based on the May 2022 loan agreements. I don't think it was unfair for Lloyds to require new applications to be submitted.

After receiving the reports on title and updated financial information, Lloyds proceeded with the new application. It declined to lend, saying the application didn't meet its lending criteria. Lloyds provided its lending criteria to us (in confidence) and explained its decision. I don't think Lloyds was unfair in the way it applied its criteria and reached a lending decision.

Mr T says Lloyds' service was poor. I don't think, based on the available evidence, that poor service by Lloyds was the reason the refinancing didn't go ahead. I think the problem was the delay in Lloyds receiving the reports on title and the preconditions being satisfied. This meant the loans couldn't be drawn before the deadlines in the May 2022 loan agreements, and also delayed a new application being processed.

While I understand Mr T's frustration, I don't think Lloyds made an error here that would make it fair and reasonable to require it to offer a loan on the terms in the May 2022 loan agreements or pay compensation.

### **My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C and Mr T to accept or reject my decision before 4 November 2024.

Ruth Stevenson  
**Ombudsman**