

## **The complaint**

Mr A complains that Lloyds Bank plc unfairly demanded full repayment of his secured business term loan and referred his accounts to its recoveries department.

## **What happened**

Mr A, a sole trader, took out a secured business loan with Lloyds in 2013 and a Bounce Back Loan (BBL) in 2020. In January and February 2024 payments to the BBL were missed. Those payments were made up in March 2024, but in March a monthly payment to the term loan was returned unpaid. In April and May 2024 payments to the BBL were returned unpaid. Further payments to the term loan in June and August 2024 were missed.

Mr A said he was selling a property and would be able to make payments once the sale completed, but there were delays with the sale. On 12 August 2024 Lloyds issued formal demand letters for payment of the term loan and a small overdraft balance. It then transferred Mr A's accounts to its recoveries department.

Mr A made a complaint. He didn't think he had been treated fairly and wanted both his loans reinstating so that they could continue running for the remainder of their terms.

Lloyds said it was entitled to demand full repayment and to refer Mr A's accounts to recoveries, and it had given Mr A appropriate notice. It apologised that its recoveries team hadn't been ready to discuss Mr A's accounts with him when he got in touch in early September 2024.

Mr A, with the help of a family member, Mrs A, asked us to look into his complaint. Our Investigator didn't think Lloyds had treated Mr A unfairly. She said it had been in regular contact with him and been clear about the next steps if the loan arrears weren't repaid.

Mr A didn't accept that conclusion. He still thought Lloyds had treated him unfairly and his relationship manager had made mistakes. He asked for an Ombudsman's review.

## **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 find I can't fairly uphold this complaint. I don't think that Lloyds treated Mr A unfairly in issuing formal demands when it did, having given him notice that it would do so if the arrears on his borrowing weren't repaid.

I've looked carefully at the history of Mr A's borrowing and Lloyds' communication with Mr A and Mrs A. In June 2024 both loans were in arrears. Lloyds' records say that Mrs A told it in early June 2024 that Mr A was selling a property and the sale was expected to complete the following week. Unfortunately that didn't happen, and completion didn't happen in July 2024 either despite further assurances given to Lloyds.

Lloyds sent Mr A letters when payments were missed. It also sent him letters of concern about the arrears on both loans and asking about his plans to repay them, and in which it noted that a number of payments from his business current account had been returned unpaid. By early August 2024 the term loan was three months in arrears, and on 12 August 2024 Lloyds sent a formal demand for payment. It later referred Mr A's accounts to its recoveries department.

The terms and conditions of the term loan entitled Lloyds to call in the loan in this way. Payments hadn't been made on time and three months of arrears had accrued, so it treated the loan as being in default and repayable immediately.

Mr A has said that the property sale completed on 22 August 2024, but the property was security for a loan with another lender. I don't know whether any of the proceeds of the sale were available to repay his Lloyds borrowing or if so how much. I note that some payments were made into Mr A's business current account in September 2024 which resulted in a credit balance of just over £2,000 – but by then the formal demand had already been issued and the accounts transferred to recoveries.

I think Lloyds was clear about the need for the arrears to be repaid and the accounts brought up-to-date, and the consequences if that didn't happen. It noted Mr A's plans to sell a property to release some money, and its records show that it was waiting for this to come through. However, I share our Investigator's view that it wouldn't be reasonable to expect it to have waited much longer without any certainty. It's unfortunate that the sale appears to have been delayed, but on the basis of the information it had, I don't think Lloyds' decision to issue formal demand and make the transfer to recoveries when it did was unreasonable. It had asked Mr A and Mrs A to contact it to discuss payment of the arrears, and it had also set out the available options for payments to the BBL, including the availability of a payment holiday or term extension and how to apply for one.

Mr A and Mrs A have pointed out that Lloyds wrongly understood that Mr A was selling a different property from the one which was actually sold. I think that's likely to have been a misunderstanding – but it didn't affect Lloyds' decision about how it treated Mr A's accounts, so Mr A hasn't lost out as a result.

In all the circumstances, I don't consider that Lloyds treated Mr A unfairly or unreasonably, and I can't therefore uphold this complaint.

### **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 A to accept or reject my decision before 4 March 2025.

Janet Millington  
**Ombudsman**