

## **The complaint**

A company, which I will call B, complains that Lloyds Bank PLC ('Lloyds') declined to complete an application to renew its overdraft unless the company directors provided details of their personal finances.

Mrs B, who is a director of B, brings the complaint on behalf of B.

## **What happened**

B had held a business bank account with Lloyds for several years and had an overdraft facility of £5,000.

Mrs B phoned Lloyds after receiving a letter reminding her that the overdraft renewal date was coming up at the end of April 2024. B was making full use of the overdraft facility at that time. Mrs B said the plan going forward was to allow an expected small monthly credit balance of a couple of hundred pounds to accrue in the account and so reduce the overdraft over the next ten months or so.

Lloyds took Mrs B through the application process to enable her to renew B's overdraft facility so she could pay it down on a planned basis. When Lloyds said it needed to ask her about the directors' personal income and expenditure in order to ensure it was lending responsibly, Mrs B objected to providing this information. She said it was unfair to offer to renew the overdraft only on these terms when the account belonged to B and had always been operated within limit. She felt strongly that Lloyds wasn't entitled to know about directors' finances when they weren't standing as personal guarantors for the company account – and she didn't provide this information.

This resulted in Lloyds not renewing B's overdraft which left the account overdrawn and without an arranged overdraft in place, so that the full amount became repayable within 14 days after the expired renewal date. The account moved to recoveries.

Lloyds didn't uphold B's complaint about what happened. It said it had correctly followed process. Lloyds said it took into account a number of factors when assessing credit applications including general account operation, the level of business and personal income/expenditure, results of a credit reference agency search and the operation of any other accounts. Lloyds said its representative had explained the position correctly and tried to find an acceptable solution for B – whilst making clear that Lloyds was unable to consider providing further credit without the information Mrs B was unwilling to provide.

When B brought this complaint to us, the investigator didn't uphold the complaint. In summary, the investigator felt that Lloyds had acted fairly and reasonably in line with its obligations as a responsible lender.

Mrs B disagrees, so this complaint has been passed to me to make a decision.

## **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'm not upholding this complaint. I'll explain my reasons.

My role is to consider the evidence presented by the parties and reach an independent, fair and reasonable decision based on the facts of the case and the evidence provided by both sides. In doing so, I may not address every single detail that's been mentioned and I've summarised what happened only briefly and often in my own words. But it doesn't mean I haven't considered the evidence and what's been said here – it just means I haven't needed to specifically refer to everything in order to reach a decision in this case.

As I understand the crux of B's complaint, the main issue here is Lloyds' insistence on knowing information about the directors' income and expenditure.

Lloyds said it typically reviews overdraft facilities for customers who received government funding – as B did when it had the benefit of a Bounce Back loan. It was also evident that payments in from another business account operated by Mrs B and her partner had the effect of inflating B's turnover. Leaving aside these extra payments into the account, Lloyds had reasonable concerns that B's projected turnover figure wasn't enough, on the face of it, to support a £5,000 overdraft. So I am satisfied that it was reasonable for Lloyds to review the overdraft facility it offered to B.

Lloyds terms and conditions include the following:

'Can we change our mind about giving you an Overdraft, or the amount you can borrow?

Your Overdraft is repayable in full on demand at any time. This means at any time we may restrict or end any right to an Overdraft or ask you to repay your Overdraft. We do not have to give you notice beforehand, but we will write to tell you that we require you to repay your Overdraft.'

In other words, Lloyds was entitled to remove B's overdraft facility without notice. But Lloyds still had to treat B in a fair and reasonable way – and I am satisfied that it did so here. Lloyds gave B fair notice of the upcoming renewal date, prompting Mrs B to contact Lloyds in early April, well in advance of the renewal date at the end of the month.

And despite Mrs B's objections, I am satisfied that it was reasonable for Lloyds to enquire about the directors' finances. Mrs B has explained why she is so opposed to sharing this information and I understand her reservations. Lloyds explained that its lending policy required it to assess the directors' personal finances as part of its decision-making process when assessing the terms upon which it might be prepared to continue extending an overdraft facility for B.

Relying on policy alone isn't a good enough reason for me not to uphold this complaint. I'd expect Lloyds to be able to justify why that policy was fair here – and in these circumstances, in my view it did explain this adequately to Mrs B.

She and her partner were the only people involved in B, which they set up to receive rental income from an investment property. Mrs B has said she's happy to agree to reduce B's overdraft and she wants Lloyds to stick to the original payment plan offered when she was speaking to Lloyds over the phone. That would require monthly repayments of around £333

in order to bring B's overdraft down to an acceptable level - around £1,000 within 12 months or so.

But looking at the bank statements provided to me, I can see that for several years, the account has regularly incurred monthly interest charges and overdraft fees. From time-to-time, funds have been transferred back and forth between B and another business account to aid cashflow. I've seen nothing to suggest that the other business will be able to generate enough profit to fund the level of payments discussed during the phone call to pay down B's overdraft.

And after the usual monthly deductions from the rental income, which sometimes included personal drawings paid out to Mrs B, the remaining balance wouldn't be enough to reduce the overdraft at an acceptable rate.

This means Mrs B and her partner would need to subsidise the payments from other income. So I think it was fair and reasonable for Lloyds to want to satisfy itself about their wider ability to afford any proposed monthly repayments – and it needed the sort of information it asked Mrs B to provide regarding her and her partner's personal income and expenditure.

I appreciate that Mrs B felt unduly pressured by Lloyds to provide this information. But I am satisfied that Lloyds made clear it required the information to comply with its obligations as a responsible lender. Lloyds couldn't extend the overdraft facility on terms that were unaffordable for Mrs B and her partner when they were effectively going to be largely repaying B's overdraft. Lloyds explained that it wasn't looking to Mrs B and her partner for any personal guarantee which was something she was anxious to avoid.

So whilst I understand Mrs B wanted Lloyds to extend B's overdraft facility so it could be repaid over time, and to avoid the overdraft becoming repayable in full straightaway, I'm satisfied Lloyds acted in line with its business terms and it hasn't treated B unfairly or unreasonably.

As Lloyds wasn't able to complete the necessary review, I'm also satisfied it was reasonable for it to issue a formal demand for payment to B. This has inevitably resulted in further interest and charges. And B can no longer make payments out of the account as the overdraft facility is withdrawn and the account is in unauthorised overdraft. But, for the reasons I have explained, I haven't been persuaded that Lloyds acted unfairly. As a result, I'm not upholding B's complaint.

### **My final decision**

My decision is that I don't uphold B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 7 April 2025.

Susan Webb  
**Ombudsman**