

The complaint

Mr B complains that Lloyds Bank PLC refused his offer of repayment, defaulted his loan account and ended his agreement.

What happened

Mr B held a loan account with Lloyds.

In March 2021 the account fell into arrears. On 2 March 2021 Lloyds issued an arrears letter. Further arrears letters were issued on 13 March 2021 and 30 March 2021.

On 13 April 2021 Lloyds issued a default notice. At this time, the account had been in arrears for three months.

On 24 April 2021 Mr B made a payment of £30 on the account. A further arrears letter was issued on 28 April 2021.

On 11 May 2021 a new default notice was issued and on 9 June 2021 a final demand was issued.

On 13 July 2021 a letter was issued advising Mr B that the agreement had ended, and the account would be defaulted and passed to the recoveries team.

Mr B raised a complaint with Lloyds in June 2024. He said that during the pandemic he'd experienced mental health issues and said he'd been forced to sell a commercial property at undervalue in order to repay the loan. Mr B said he wanted an apology and compensation.

Lloyds didn't uphold the complaint. It said it had listened to all calls going back to 2021 but couldn't find any evidence that it had asked Mr B to sell his property. Lloyds said it had given Mr B several extensions to give him time to repay the debt and confirmed that it hadn't held any security over the property. Lloyds also said that it couldn't find any record of Mr B returning an income and expenditure form and this was why it had been unable to agree a repayment plan with him.

Mr B remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. She said she hadn't found any evidence to suggest that Mr B made repayment offers which were refused by Lloyds. She also said that whilst she could see a reference in one of Mr B's emails about selling a property, the fact that the arrears were around £76.00 and the property was worth around £190,000.00 made it unlikely that Mr B would've decided to sell the property in order to repay the loan. The investigator said that based on the evidence she'd seen, she didn't think Lloyds had done anything wrong when it defaulted the account.

Mr B didn't agree. He said he'd made a SARS request which Lloyds hadn't responded to. He said he'd completed two income and expenditure forms and had made an offer to pay.

Because Mr B didn't agree I've been asked to review the complaint.

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.

I know it will disappoint Mr B but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points which are most relevant to my decision. If I don't comment on a specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've reviewed the information provided by Lloyds. I can see that Mr B's loan account fell into arrears in March 2021. I can also see that Lloyds sent several letters and notices to Mr B between March 2021 and July 2021 culminating in a letter confirming that the account had been defaulted.

I haven't seen any evidence to suggest that Mr B responded to these letters or contacted Lloyds by telephone during the period I've referred to above.

Mr B has told this service that he offered payments of £500 and completed an income and expenditure form. I've reviewed all the available evidence, but I haven't been able to find any evidence of an offer of payment prior to the account being defaulted. Lloyds has stated that it didn't receive a completed income and expenditure form from Mr B.

On the basis of what I've seen, I don't think Lloyds made an error when it defaulted the account. The account was more than three months in arrears when the default notice was issued. The relevant ICO principles state that a lender can default an account when there are between three and six months of arrears.

Mr B has said that he was forced to sell a commercial property in order to repay the loan. I've seen an email in which Mr B states that this happened in October 2023. However, the loan account was defaulted in July 2021, so I'm not persuaded that Mr B was forced to sell the property in response to the arrears letters and default notice.

Mr B has also raised some points regarding an application for a bounce back loan and an allegation of a racist comment made to him in connection with this. This isn't something which formed part of Mr B's initial complaint to the bank, nor was it addressed in the final response. Mr B will need to raise these issues as a formal complaint with Lloyds and allow them to investigate before this service can look into it.

For the reasons I've given above, I'm unable to uphold this complaint. I haven't found any evidence that Lloyds made an error or treated Mr B unfairly when it defaulted the account.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 March 2025.

Emma Davy
Ombudsman