

## **The complaint**

Mr H and Mrs H, who operate as a business partnership, are unhappy that Lloyds Bank PLC undertook collections and recoveries procedures on the partnership's accounts and used money in the partnerships business current account ("BCA") to reduce the balance outstanding on its other accounts.

## **What happened**

The partnership held a Bounce Back Loan (BBL) and a Treasury Loan with Lloyds. In January 2024, payments had been missed on both loans such that both loans were in a position of arrears.

Mr H spoke with Lloyds about the accounts on 23 January 2024 and completed an income and expenditure review on behalf of the partnership with them. However, because this review showed that the partnership had more money going out every month than it had coming in, Lloyds weren't able to accept any offer from Mr H for the partnership to make payments towards the loan arrears – because Lloyds knew from the information provided by Mr H that the partnership couldn't afford to do so.

Mr H wasn't happy that Lloyds wouldn't allow the partnership to clear its loan arrears, so he raised a complaint. Lloyds responded to that complaint that same day, 23 January 2024, but didn't feel it had done anything wrong by not accepting money from the partnership that it knew that partnership couldn't afford to pay.

Following this, further payments were missed by the partnership on both the BBL and the Treasury Loan so that both loans fell further into arrears. Because of this, on 7 June 2024, Lloyds issued a formal demand to the partnership requesting full repayment of the outstanding BBL balance within 14 days. And when no payment was received within that timescale, Lloyds defaulted the BBL and used the money present in the partnerships BCA to reduce the outstanding loan debt. Mr H and Mrs H weren't happy about this, so they raised another complaint.

Lloyds responded to this second complaint on 5 July 2024 but again didn't feel that it had done anything wrong. Mr H and Mrs H didn't agree, and they didn't feel that Lloyds had provided due notice of their intentions to default the partnerships loans, so they referred their complaints to this service.

One of our investigators looked at this complaint. They felt that Mr H and Mrs H had referred their first complaint, about Lloyds' refusal to accept arrears payments from the partnership, too late for this service to be able to consider it. And our investigator didn't feel that Lloyds had acted unfairly towards the partnership regarding the second complaint, about the defaulting of the BBL and about Lloyds using the money in the BCA to reduce the outstanding loan debt. Mr H and Mrs H didn't agree with our investigator, so the matter was escalated to an ombudsman for a final 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 in agreement with our investigator that Mr H and Mrs H have unfortunately referred their first complaint to this service too late for us to be able to consider it. I'm aware that Mr H and Mrs H feel that this is unfair, but I can confirm that this is a jurisdictional issue – this service only has the authority to consider a complaint if it's referred to us within six months of the formal complaint response issued by the business in which referral rights to this service are provided.

In this instance, Lloyds issued their formal response to Mr H and Mrs H's first complaint on 23 January 2024, and that response included the information that Mr H and Mrs H had the right to refer that complaint to this service, so long as they did so within six months of the date of that letter. This meant that Mr H and Mrs H had until 23 July to refer that complaint to us. But Mr H and Mrs H didn't contact us about their complaint until 13 August 2024 – which was after the six-month window for them to do so had expired.

There can be exceptions which permit this service to consider a complaint that is referred to us outside of the six-month window. These are if the respondent business gives their permission to do so or if there were exceptional circumstances which prevented the complainant from referring the complaint. But Lloyds haven't given their permission for us to consider this complaint (nor are they reasonably expected to do so) and the exceptional circumstances clause has a very high bar, being circumstances where a complainant tangibly could not refer their complaint to us in time.

An example of when this clause might apply would be if the complainant had been in a coma, and so physically couldn't refer their complaint. But in this instance, Mr H and Mrs H were able to correspond with Lloyds and raise a further complaint with them. As such, I'm satisfied that Mr H and Mrs H could have referred their first complaint to this service in time but didn't do so.

Whether this service has the authority to consider a complaint isn't a grey area. We either do have the authority to consider a complaint, or we do not. And, in this instance, for the above reasons, I'm satisfied that we do not.

This means that I'm only able to consider Mr H and Mrs H's later complaint, that was raised with Lloyds on 4 July 2024, after Lloyds had defaulted the partnerships BBL and used money held in the BCA to reduce the outstanding loan debt.

Lloyds have shown to my satisfaction that they sent missed payment letters to the partnership whenever a payment was missed, and that they later sent a default notice and formal demand to the partnership to the address that Lloyds held for it.

Mr H and Mrs H have said that they didn't receive any of that correspondence, because Lloyds didn't update the address on the partnership's account. But Lloyds have no record of receiving such a request, and it may be the case that while Mr H and Mrs H updated their personal address details, they didn't separately update the address listed for the partnership on their business accounts.

Because personal and business accounts are separate and distinct, this means that Lloyds wouldn't have received any instruction regarding the business accounts to update the address. And a bank wouldn't be expected to update an address on business accounts without a specific request, even when an address on personal accounts are updated.

I feel that if Lloyds had received a request to update the business address, it most likely would have done so. And I also feel that Mr H and Mrs H should reasonably have recognised that they weren't receiving letters for the partnership's business accounts and so should have checked whether the correct address for the partnership was held by Lloyds.

Ultimately however, regardless as to whether Mr H and Mrs H were receiving business account correspondence or not, the responsibility rested with them to have monitored the partnerships accounts, to have been aware that loan payments weren't being made, and to have been aware of the developing arrears position on the accounts.

Mr H and Mrs H have also said that in the months leading up to the partnership's loan being defaulted, they asked Lloyds to conduct an updated income and expenditure assessment for the partnership which would have show that the partnership was in a better financial position and could afford to clear the loan arrears and thus avoid the defaults – but that Lloyds refused to conduct an updated assessment.

Lloyds have provided extensive records to this service regarding the partnership's accounts, and these include contact notes and records of calls made to the partnership or received from them. These notes and call records, which I find persuasive, don't support Mr H and Mrs H's position in this regard, and Mr H and Mrs H haven't provided any call records themselves to confirm their claim.

Furthermore, in recent correspondence with this service, Mr H and Mrs H explained that the partnership's financial position was very dynamic throughout the time under consideration, with the partnership having money to address the loan arrears at some times, but not at others. Given this fluctuating affordability, I'm not convinced that the partnership would have been able to provide an income and expenditure picture that would have allowed Lloyds to have accepted arrears payments from them. And I also feel that the fact that several scheduled loan payments were missed from January 2024 is an indicator that the partnership was most likely in financial difficulty as Lloyds understood it to be.

Mr H and Mrs H have said that if they had been given the opportunity to conduct an updated income and expenditure form, they would have included their own personal income, which would have made it affordable for them to clear the outstanding loan arrears. But as explained above, I'm not persuaded that Mr H and Mrs H did contact Lloyds to request to update the income and expenditure assessment, and I note that Mr H and Mrs H didn't use their personal funds to ensure that the ongoing contractual loan payments were made so that the loans didn't fall further into arrears, which I feel is potentially indicative.

In consideration of all the above, I don't feel that Lloyds did act unfairly by defaulting the BBL as it did. Additionally, one of the terms of the BBL was that Lloyds had the right to offset any defaulted account debt with money held in the partnership's BCA. And Lloyds didn't require any further consent from Mr H and Mrs H to transfer money from the BCA to reduce the outstanding BBL balance following the defaulting of that account.

All of which means that I don't feel that Lloyds have acted unfairly in how they've administered the partnership's accounts as Mr H and Mrs H feel is the case here. Because of this, I won't be upholding this complaint or instructing Lloyds to take any form of action. I realise this won't be the outcome Mr H and Mrs H were wanting but I hope they understand, given all that I've explained, why I've made the final decision that I have.

### **My final decision**

My final decision is that I do not uphold this complaint.

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

Paul Cooper  
**Ombudsman**