

The complaint

A company which I'll call 'T' complains Lloyds Bank PLC (Lloyds) subjected it to delays and unnecessary costs when T restructured its existing lending facilities.

E has been represented in this complaint by one of its directors, Dr H.

What happened

The background to this complaint is well known to all parties so I'll just give a broad overview here.

In October 2021, T took out a loan with Lloyds. The loan was structured in two parts, over two different repayment periods, and the interest rate charged on both was base rate plus 2.95%.

In January 2024, T asked its Relationship Manager at Lloyds if the repayments could be reduced. T had made all required payments to date but with the base rate having increased over time was looking to reduce its outgoings.

T specifically asked if the loans could be switched to a partially amortising loan (PAL) it had become aware of which had an interest rate of base rate plus 1.6%.

The request was refused so, in May 2024, a broker acting on T's behalf approached Lloyds to see if refinancing to the PAL was possible. The broker liaised with his contacts within Lloyds, and, after a review and application, a PAL was offered on the reduced terms.

A key condition of the PAL was a revaluation of the business which T would be charged for. T wasn't happy with this condition and didn't immediately proceed with the PAL application. T complained about the need for the new valuation. And it also complained that as Lloyds had agreed to the PAL it shouldn't have been charged the higher interest it had been paying since January 2024 when its initial request had been refused.

Lloyds responded by saying it was within its rights to insist on a new valuation as a condition of the loan as this was a commercial decision it was able to take. Lloyds also didn't think it should make any interest reductions as the original terms and conditions of T's existing loan still applied and T had yet to proceed with the application. Lloyds did however apologise for the time it took for it to respond to T's complaint and offered him £100 as compensation for this. T didn't accept this offer.

T eventually decided to complete the PAL application, and the PAL was completed in November 2024.

Despite this, T remained unhappy with Lloyd's response to his complaint and brought his concerns to this Service.

Our Investigator reviewed all the available evidence and didn't think Lloyds had done anything wrong. He thought Lloyds had followed its policies and procedures correctly so wouldn't be asking it to do anything else.

T wasn't satisfied with this response, so the complaint has been brought to me 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.

I've first considered if Lloyds did anything wrong by declining a PAL in January 2024 when T approached it as an existing customer – then approved it in June 2024 when T approached it through a new customer channel. And having looked carefully at the evidence I don't think it did, and I'll explain why.

Lloyds have said when T enquired about the PAL in January 2024 no formal credit application was made. Instead, Lloyds say T's Relationship Manager had simply approached its credit department to see what rates might be available. She was told the PAL rate of base plus 1.6% couldn't be offered but a different loan rate could be considered. And this was communicated to T.

I know T feels strongly that a formal credit application *did* take place, but I've seen no evidence of any application forms and, on balance, think in January 2024, Lloyds told T what refinancing options were and were not available, rather than providing it with the outcome of a formal credit application.

In May 2024 T made the application for the PAL through a broker it had used when it secured the original lending in 2021. This broker had a commercial relationship with Lloyd's agents who specialised in new customer lending. Although T wasn't a new customer, Lloyds agreed to consider the application seemingly because of the existing commercial relationship it had with T's broker. In June 2024, an application was made through this channel of Lloyds. A formal quotation was then issued by Lloyds which T accepted in October 2024.

I know T feels that this quotation should have been offered in January 2024 and thinks that its credit rating had been ignored.

Lloyds are not obliged to share its credit guidelines but, having had sight of the credit ratings Lloyds used, am satisfied that there was a difference between January 2024 and May 2024 which explains the change in lending options Lloyds made available to T.

In addition to the change in credit ratings between January and May 2024, I'm also minded that Lloyds may have simply changed its overall risk appetite for commercial lending which is a commercial decision it is free to make and can explain differences between lending application outcomes over time.

It is not the role of this Service to tell businesses what lending criteria it should set or its structure and approach to accepting new credit applications. These are commercial decisions which businesses are free to make.

In summary, Lloyds made the PAL available to T in June 2024 after a formal credit application review that had been structured by T's credit broker and having considered credit ratings changes between January and May 2024. Given this, and considering Lloyds are

free to set its own lending criteria over, I don't think I can reasonably say Lloyds did anything wrong when it offered the PAL in June 2024 having declined it in January 2024.

T feels Lloyds should have refunded the difference in loan repayments it had continued to make on the higher interest rates between January 2024 and when the lower rates were applied to its lending. But, as I don't think Lloyds did anything wrong in its lending decisions, I don't think I can reasonably ask it to retrospectively change T's monthly payments.

I now turn to T's complaint that Lloyds insisted on a new company valuation as a condition of the PAL for which T was charged.

T feels strongly that this shouldn't have been necessary. It says that it had never missed any payment on the existing loan and that the original valuation used when the initial loan was taken out should still be sufficient.

T also says that as it was reducing the overall outstanding debt as part of the refinancing application its risk to Lloyds was reducing. So, again, feels the revaluation was unnecessary.

I've thought carefully about T's concerns and can understand why, given the reduction in the size of lending and the perfect repayment record, it would feel the need to pay for a revaluation was unnecessary.

But I'm also minded that Lloyds are free to set its own lending criteria on a commercial basis and it's not the role of this Service to interfere.

Lloyds is also not obliged to publicly share this lending criteria as it is generally commercially sensitive.

That said, I have reviewed the confidential lending criteria Lloyds relied upon in this complaint and I'm satisfied that, given this, Lloyds didn't act unreasonably when it made a revaluation a condition of the PAL it offered to T.

In summary, having carefully reviewed all the evidence available, I think Lloyds were within its rights to offer T the PAL in June 2024, when it had said it wouldn't be available in January 2024. And I think it was within its rights to insist on a revaluation of the company as part of this new PAL offer. These are commercial lending decisions that Lloyds are free to make and so I don't think I can reasonably say it did anything wrong in this complaint.

Finally, I can see that Lloyds offered T £100 for delays in answering T's complaint. Complaint handling isn't something we cover so I won't make any comment here on this aspect of the events and background to this complaint.

My final decision

For the reasons stated above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 29 September 2025.

Ben Castell
Ombudsman