

The complaint

The partners in a partnership, which I'll refer to as F, complain that Lloyds Bank PLC misled them about their personal liability for a bounce back loan ("BBL").

What happened

The partners took out a £50,000 BBL in 2020.

F was ultimately unable to recover from the pandemic and the partnership has ceased trading.

In September 2024, with F's BBL several repayments in arrears, the bank formally demanded repayment in full within 14 days.

The bank continues to hold the partners personally liable for the remaining balance on the BBL.

In late 2024, one of the partners complained to Lloyds. He said F's relationship manager had repeatedly told him that the partners wouldn't be held personally liable. The bank acknowledged that it had caused confusion and apologised. But it continued to hold the partners liable.

The partners referred the complaint to the Financial Ombudsman. One of our investigators looked into what had happened, but she didn't recommend upholding the complaint. She thought the loan agreement made it clear that the partners were liable and the BBL guarantee provided by the government was for the lenders not the borrowers.

F's partners disagreed and asked for an ombudsman's decision. They asked me to take into account that the partnership has been dormant for over 18 months and that both partners are under severe financial hardship and unable to repay the outstanding BBL in full.

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.

First, I'd like to say that I'm in no doubt that the partners have been through a difficult time. Their business failed to recover from the pandemic, despite their best efforts to keep it going and then they learnt that the bank was pursuing them personally to repay a loan that they had understood would be repaid by the Government guarantee.

The partners feel strongly that they were misled by their relationship manager ("RM") at Lloyds. Lloyds have told us that this individual is no longer employed by the bank, so I do not have his version of what was said. Phone conversations were also not recorded and neither did he make detailed notes of his discussions with F.

All this means that my only evidence of what was said is the partners' testimony and some emails they sent to the RM. I can see from the emails that the partners went away with the

impression that they wouldn't be held personally liable. That doesn't necessarily mean that they were given incorrect information and I note that the bank seem to think that their RM gave too much detail rather than incorrect information. Whatever was said, unfortunately misunderstandings do happen.

However, although the partners think these conversations mean that the bank should not pursue them now, I don't agree. I say this because it was never the case that the partners weren't personally liable.

The loan agreement, which forms the binding contract between the parties, makes it clear that the partners are liable. It is not a long agreement and point 2 of the agreement is "You are responsible for the repayment of your loan". I think it's reasonable to expect business partners to read and understand the contracts they sign. And there was plenty of other publicly available information saying that borrowers were liable to repay BBLs.

Nothing that the RM said subsequently would ever countermand the terms of the agreement. Even if I was persuaded that Lloyds' RM misled the partners repeatedly about being held liable, I would not consider it fair to require the bank to write off the loan. This is because when I consider compensation to be appropriate, my aim is to put complainants back in the position they would have been in were it not for the bank's error.

In this case, even if the bank made an error by giving incorrect information, I do not consider that it would be fair to remove F's liability. That would not be proportionate, because if the bank had made no errors at all, the partners would still be liable for the full debt.

I am sorry to disappoint the partners, who I know are in difficult financial positions, but all I can suggest is that they engage positively with the bank to agree a way forward for the outstanding debt.

.My final decision

For the reasons explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 23 September 2025.

Louise Bardell
Ombudsman