DRN-5396713

The complaint

A limited company, which I'll refer to as 'N' complains about how Lloyds Bank PLC have administered its Business Current Account ("BCA") and Bounce Back Loan ("BBL").

N's complaint is brought to this service by its director, whom I'll refer to as 'Mr C'.

What happened

N had a BCA and a BBL with Lloyds. The BBL had been in a position of arrears for several months. In October 2024, Lloyds issued a final demand to N. The final demand required N to repay the full outstanding BBL balance, and it explained that if N didn't do so that Lloyds might move to default the loan.

On 8 January 2025, Mr C contacted Lloyds via online chat and explained that he had made a payment towards N's outstanding loan arrears. However, when Mr C spoke with Lloyds a few days later, on 11 January, he learned that Lloyds had defaulted N's BBL and closed N's BCA. Mr C wasn't happy about this, and he also wasn't happy that Lloyds later used the balance present in N's BCA to clear some of the amount owing on N's BBL. So, he raised a complaint on N's behalf.

Lloyds responded to N but didn't feel that they'd done anything wrong by administering its accounts as they had. Mr C wasn't satisfied with Lloyds' response to N's complaint, so he referred the complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Lloyds had acted unfairly towards N as Mr C contended and so didn't uphold the complaint. Mr C remained dissatisfied, so N's complaint 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.

Mr C has said that he feels the fact that he was able to access N's accounts on 8 January and for a few days afterwards means that the accounts weren't already closed on those days as Lloyds have claimed. But Lloyds haven't claimed to have closed N's accounts on 7 January. Instead, Lloyds have explained that the *process* to close N's accounts began on 7 January, and that process completed a few days later. This means that when Mr C accessed N's accounts on 8 January, the process to close the accounts had begun, but not completed, meaning that the accounts would still have been open and accessible at that time.

It's clear from reviewing N's BBL account that at the start of 2025, the loan was in a position of significant arrears, with multiple contractually required payments having been missed, and that the loan had been in such a position for several months. Indeed, Lloyds had issued a final demand to N on October 2024 which required repayment of the outstanding BBL balance in full and which explained that Lloyds might move to default the loan if the position of the account wasn't recovered to Lloyds' satisfaction. And so, it seems reasonable to me

that Lloyds would move to default N's BBL in January 2025 when N didn't clear the outstanding loan arrears or meaningfully engage with Lloyds about the matter.

Mr C has said that he didn't receive the final demand that Lloyds sent in October 2024 and that he wasn't aware of the arrears position of N's BBL. But I'm satisfied from the information provided to this service that Lloyds posted the final demand, and I note that it was posted to the address that Mr C has provided to this service as being the correct postal address for N.

Of course, it doesn't necessarily follow that because Lloyds posted the final demand to N's correct address that N subsequently received that letter. But if it were the case that N didn't receive the final demand that Lloyds posted to its correct address, this wouldn't be something I would consider holding Lloyds responsible or accountable for – given that the delivery of correctly addressed mail is undertaken by a postal service over which Lloyds have no direct control. Additionally, I wouldn't expect Lloyds to have posted the final demand by recorded delivery, at their own additional cost, as Mr C has suggested Lloyds should have done, and I'm satisfied that it's both fair and reasonable for a bank to post all mail to an account holder via standard post.

Furthermore, as the director of N, it was Mr C's responsibility to have been aware of the position of N's BBL. Because of this I feel that Mr C should have known that N had missed payments to the BBL. And I also feel that Mr C should reasonably have reached out to Lloyds to discuss the matter himself, regardless of whether N was receiving formal correspondence from Lloyds or not.

Mr C is also unhappy that, having contacted Lloyds by online messaging and explained that he would be contacting Lloyds again shortly to arrange the full repayment of N's outstanding BBL arrears, that this information wasn't passed on to Lloyds' business banking team. But Lloyds' online messaging service is for personal banking customers only and isn't for business banking customers. And while Mr C has explained that his mobile phone wasn't working at that time, I feel that the onus was on Mr C, as the director of N, to have called Lloyds's business banking team as per their requirements – either by using an alternative phone or by calling at some earlier point when his own phone was working.

Ultimately, however, I'm satisfied that even if Mr C had called Lloyds on 8 January, instead of contacting them by online messaging, that the outcome wouldn't have been any different here. This is because, as explained, Lloyds had already made the decision to default N's BBL and close its BCA and had started the process to do so the day before, on 7 January. As such, Mr C's attempt to contact Lloyds on 8 January was made too late to have prevented the defaulting of N's BBL and the closure of its BCA.

Mr C is unhappy that upon defaulting N's BBL, Lloyds closed N's BCA and used the balance of the account to reduce the amount outstanding on N's BBL. But I don't feel that it's unreasonable for Lloyds to have been no longer willing to provide banking services to N, given how N's BBL had been managed and the lack of meaningful engagement from Mr C.

I also note that Lloyds right to apply the balance of N's BCA to reduce the outstanding balance of the BBL is stipulated in the terms and conditions of the BBL, to which Mr C agreed, in his capacity as N's director, when he applied for and accepted the loan. And given that N owed money to Lloyds on its defaulted BBL, it doesn't seem unfair to me that Lloyds would have used the balance present in N's BCA to recover as much of the money owed to it on the BBL as possible.

Finally, Mr C has said that he feels that by using the balance of N's BCA to reduce the amount outstanding on the BBL, that Lloyds have prevented him from paying his priority bills, which he feels is unfair. But it must be recognised that Mr C's personal accounts are

separate and distinct from the accounts of N, a limited company. Because of this, Mr C's own priority bills can't be a factor in this complaint and weren't something that I would reasonably have expected Lloyds to consider when acting to reduce N's BBL debt.

All of which means that I don't feel that Lloyds have acted unfairly towards N as Mr C believes was the case. I say this because I'm satisfied that it was fair and reasonable for Lloyds to have defaulted N's BBL and closed its BCA, given the prolonged and significant arrears present on the BBL. And because I don't feel that Lloyds acted unfairly by using the balance present in N's BCA to reduce the outstanding amount on N's BBL.

I realise this won't be the outcome Mr C was wanting, but it follows that I won't be upholding this complaint or instructing Lloyds to take any further or alternative action. I hope that Mr C will understand, given what 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 N to accept or reject my decision before 22 July 2025.

Paul Cooper
Ombudsman