

The complaint

Mrs M complains that Metro Bank PLC (Metro) told her she wasn't liable for the debts of her limited company, L, despite the fact that she was personally liable under the terms of a guarantee she had signed. Mrs M says that, if she knew the correct position, she would have been able to take steps to mitigate her personal liability. To put things right, she wants Metro to write the debt off.

Mrs M is represented by her husband, Mr M.

What happened

In July 2022, Mrs M's limited company was granted an overdraft facility of £60,000. Mrs M signed a personal guarantee in support of the overdraft. Mrs M's intention was to use some of the overdraft facility to carry out refurbishments. However, the underlying business later fell into financial difficulty and had to close for 11 weeks. Mrs M tried to recover the business, but was unable to do so, and so she eventually took the decision to dissolve the company.

Before she did so, she and her husband called Metro to discuss the business's financial position and to ask what would happen to the limited company's debts, if the business failed. Metro told Mr M that there was no security against the overdraft and that Mrs M was not personally liable for the debt. Metro repeated the position a number of times, and she left the call under the understanding that the debt was attached to the limited company only. Regrettably, the business wasn't able to recover, and the limited company was dissolved on 1 October 2024.

On 18 October 2024, Metro wrote to Mrs M to formally demand payment of a debt of £53,928.12 left behind by the limited company. The letter said Mrs M was personally liable for the debt under the terms of a personal guarantee.

Mrs M complained, saying Metro had told her she wouldn't be liable for the limited company's debt. Metro said Mrs M had been provided with all of the key financial information when the limited company took out the overdraft and that she had been advised to read the guarantee and take legal advice upon it, before signing it. It said it didn't think Mrs M had been misinformed, because she had signed the personal guarantee when she applied for the overdraft.

Mrs M didn't accept Metro's response, so she brought her complaint to our service. She said she wanted Metro to write the debt off, because it had told her she wasn't personally liable for it. Our Investigator looked into Mrs M's complaint, and awarded £150 in compensation for Metro incorrectly telling Mr M that Mrs M wasn't personally liable. But she didn't feel Metro should have to write the debt off, because she was satisfied Mrs M was aware she had entered into a personal guarantee, and that she may be liable for the company's debts if it defaulted on the overdraft.

Metro accepted our Investigator's findings, but Mrs M didn't. Mr M said that he had been told that Mrs M wasn't personally liable by the highest level of Metro's specialist support team. He said the advice was clear and that Mrs M had acted on the misinformation given to her.

He said that Mrs M would have taken steps to reduce the limited company's debt, had she been told the true position.

Mr M was also concerned about the impact this would have on Mrs M's personal credit file. Our Investigator didn't find any evidence of a marker against Mrs M and Mr M didn't provide a copy of her credit file when asked to do so. Ultimately, our Investigator didn't change her view, so Mr M asked for an Ombudsman to review the matter afresh.

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.

Before I reached my final decision, I contacted Mr M to seek evidence of the impact to Mrs M's credit file, and evidence to demonstrate what Mrs M would have done, had Metro correctly told her she had signed a personal guarantee, when she called Metro to discuss the matter.

Mr M explained that Mrs M had money in her personal account at that time, and that Mrs M would have kept the business going, had she known the true position, and made payments against the overdraft to reduce the debt. Mr M said he and his wife took advice from their advisors (accountants and liquidators) to discuss the best way forward, and that it would have been a completely different situation, had Mrs M been told the true position.

Mr M told me this situation had caused he and his wife financial problems, and said Mrs M's credit file had been affected. He checked 3 credit report providers and said that one was clear, but two showed problems with Mrs M's creditworthiness. However, he said the report he had seen didn't say what was causing those problems, and he didn't send a copy of the credit report in, nor did he send in any evidence to show how Mrs M would have reduced the limited company's liability. That being the case, I've made my decision based on the information I have on file. And having done so, I won't be upholding the complaint in the manner Mrs M seeks. I'll explain why.

Having listened to the call Mrs M made to Metro, I'm satisfied that the Metro advisor told Mr M that Mrs M was not personally liable for the debts of the limited company. Mr M was very clear in his line of questioning and Metro repeated the incorrect advice to him several times.

However, Metro telling Mr M there was no personal guarantee doesn't invalidate the guarantee. I've seen the personal guarantee that Mrs M signed, and I'm satisfied it clearly explains that she would be liable for her limited company's debt if she signed it. The guarantee recommends Mrs M seek legal advice before she signs it, and states that she should only sign it if she wanted to be legally bound by its terms.

I've also seen a letter dated 26 July 2022 that Metro sent to Mrs M, confirming the overdraft was subject to a personal guarantee. So, while Mrs M may well have forgotten about the existence of the personal guarantee, I'm satisfied she entered into it, and that it was sufficiently clear as to its nature and effect, such that Mrs M knew or ought to have known that she would be liable for the limited company's debt if the company defaulted.

I have considered Mr M's point that Mrs M would have taken different actions, had Metro told her that she was personally liable, but I'm not persuaded by his arguments. Mr M told me that Mrs M's limited company would have continued to trade and reduce the debts of the limited company, which in turn would have meant Mrs M's liability would have been reduced. However, Mr M didn't submit any compelling evidence to demonstrate that would have been

the case. Ultimately, this was a failing business that Mrs M had tried hard to rescue, but to no avail. And I've seen nothing to show how Mrs M would have turned things around.

Further, if what Mr M says is right, that would mean that the limited company not only would have needed to continue to trade, but that it would also have needed to turn a profit sufficient to reduce its overdraft with Metro. And I've seen no compelling evidence to suggest that was possible. Mr M told me that he and his wife cleared two other loans that were the subject of personal guarantees, and he said that Mrs M had money available that would have enabled the company to continue to trade. But he hasn't provided any evidence in support of his claims, so I can't reasonably uphold the complaint.

Mr M had said he would send in bank statements showing Mrs M had access to other funds at the time, but he hasn't submitted those statements. Even if he had done so, that alone wouldn't demonstrate that the limited company's fortunes could have been turned around, and Mr M hasn't submitted any evidence in support of that position.

With regard to Mrs M's credit file, again I've seen no evidence of any impact caused by an error on Metros' part. So, I can't reasonably tell Metro to take any further action here. And in any event, for the reasons I've set out above, I'm not persuaded Metro did anything wrong.

While I don't consider Metro's incorrect advice invalidated the guarantee, I can see that it caused Mrs M a degree of distress and inconvenience, and so I've thought about what it should do to compensate Mrs M for that. Mr M told our service Mrs M has been impacted by this situation, but it seems to me that much of the impact has been caused by the fact that Mrs M is liable for a debt of over £50,000, not just the phone call during which Metro stated the incorrect position.

With that in mind, I'm satisfied that an award of £150 sufficiently compensates Mrs M for the distress and inconvenience attributable to the advice given on the phone call in question.

My final decision

My final decision is that Metro Bank PLC must pay Mrs M £150 in recognition of the distress and inconvenience it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 24 December 2025.

Alex Brooke-Smith
Ombudsman