

The complaint

Mr M complains that Lloyds Bank Plc is unfairly holding him liable for an overdraft debt incurred by a business that he no longer owns.

What happened

Mr M told us:

- In November 2020 he sold two businesses to third parties (who I will call Mr B and Mr D). One of those businesses was operated by a limited company, and he sold his shares in that company to Mr B and Mr D. He ran the other one as a sole trader, and sold its assets to Mr B and Mr D.
- Both businesses had bank accounts with Lloyds. His intention was that both accounts would be transferred to Mr B and Mr D. The limited company's account was transferred to the new owners without difficulty, but he later discovered that the sole trader account was not transferred at all.
- The balance of his Lloyds sole trader business account was zero at the time his businesses were sold to Mr B and Mr D. That is because he had paid off the overdraft before selling his businesses, so the new owners could take them on free of any debt.
- In February 2021 he received a bank statement for the sole trader account. He visited a Lloyds branch to ask for his name to be removed from the account, and was told that would happen. (He cannot give the exact date of the branch visit, but he believes it was after he moved house on 8 April 2021.)
- He didn't receive any further correspondence about either business bank account, so he assumed that his instructions had been followed, and his name was no longer associated with the accounts.
- Much later, he discovered that Mr B had attempted to remove him from the sole trader account. Lloyds told him that it had emailed Mr B to say that removing him was not possible, and the sole trader account would have to be closed (with a new business account opened in the names of the new business owners). However, the bank did not send any correspondence about the removal attempt to him.
- Mr B and one of his associates, a Ms M (who I believe is not related to Mr M or his wife), changed the passwords for the internet banking on his sole trader account without his knowledge. They also changed the address for correspondence. Lloyds allowed those actions without telling him that they had occurred, and subsequently allowed Mr B and Ms M to use the sole trader account fraudulently.
- Mr B and Ms M continued to use the account, and it is now overdrawn. Lloyds issued a formal demand to him, but he does not believe he is liable for the debt. He says the

money is owed by Mr B and Ms M, and not by himself. His position is that Mr B and Ms M were told the account needed to be closed, and yet they intentionally failed to do that and ran up a debt.

- Lloyds knows that he is dyslexic and needs additional support, but it did not provide support to him.

Lloyds told us:

- It does not believe that Mr M has ever requested that he be removed from his sole trader account. It notes that he said he visited a Lloyds branch to make that request, but it has no record of his visit.
- In 2021 Mr M asked for Mr B and Ms M to be added to the mandate for his sole trader account as full power signatories. It followed Mr M's instructions.
- Mr B then asked it to change the address for the account. Given that Mr B was a full power signatory, it followed his instructions.
- Later, Mr B asked for Mr M to be removed from the account. It sent Mr B an email (which it cannot now provide) to explain that Mr M could not be removed because he was named on the account as the sole trader. But it did not receive a response to that email.
- It acknowledges that Mr M says that he has an agreement with third parties (Mr B and Ms M) that they will be responsible for any future debts associated with the businesses that Mr M sold. But the bank is not party to that agreement, and is not bound by it.
- Mr M remains responsible for the overdraft on his sole trader account.

One of our investigators looked at this complaint, but she did not uphold it. She said she didn't think Lloyds had made a mistake or acted unfairly.

Mr M did not accept our investigator's conclusions, and so the matter was referred to me.

My provisional decision

I issued a provisional decision, and said:

"I am sorry to further disappoint Mr M, but I first want to make clear that I only have the power to consider his complaint about Lloyds. It is apparent that Mr M believes that the purchasers of his businesses, Mr B and Mr D, have not done what they should have done. That isn't something I can comment on. If Mr M considers that Mr B, Mr D, or indeed Ms M, owe him money, he may wish to consider seeking legal advice.

Similarly, the Financial Ombudsman Service cannot investigate Mr M's allegations that Mr B, Mr D and Ms M committed criminal offences (including fraud). Those allegations are a matter for the police and not for us.

I can look at Mr M's complaint that Lloyds is treating him unfairly. However, whilst I know he will strongly disagree with me, I don't think Lloyds has done anything wrong.

I think several factors contributed to the difficulties Mr M has experienced:

- The outcome Mr M wanted – to be removed from his own sole trader account, and for the account to be transferred to the people who had bought his businesses – was not possible.
- Mr M gave Mr B and Ms M full access to his account, and they used that access in a way that he now says he did not expect, and did not permit. He also relied on Mr B and Ms M to remove him from the account, but they did not (and could not) do so. Lloyds is not responsible for the actions or inactions of Mr B and Ms M.
- I'm not certain that Mr M and his wife fully understand the difference between attempting to remove a director from a limited company's account and attempting to remove a sole trader from his own sole trader account. But even if Mr M was confused, I don't think Lloyds was responsible for that confusion.

I give further explanation below.

Lloyds says that it will not remove a sole trader's name from their sole trader bank account. It will close a sole trader account if necessary, but it will not transfer the account to another person. Instead, it requires the person who has bought the assets of a sole trader to set up a new account in their own name. In my experience that is not an unusual policy; many other banks (but not all) operate in the same way.

The removal of a director or shareholder from a limited company's bank account is a different matter entirely. A limited company is a separate legal entity, distinct from its directors or shareholders. A company can own assets, such as property or money, in its own right. The fact that a company's owners have changed does not necessarily affect the assets owned by the company. A company's directors can change many times without the need for a new bank account. I am therefore not surprised to hear that Mr M's removal from the limited company's bank account went smoothly, but that doesn't automatically mean that Lloyds should have made any changes at all to Mr M's sole trader account.

Mr M has said that he told the bank he wanted to be removed from the account at some point after April 2021 (when he moved house), but he can't tell us exactly when he made that visit. The bank says it doesn't have any records of such a visit. Having carefully considered the available evidence I'm not satisfied that Mr M himself ever asked Lloyds to remove him from his own sole trader account. Instead, he appears to have relied on third parties to make that request.

From the bank's perspective, Mr B and Ms M were managing Mr M's sole trader account – and they were doing so with Mr M's permission. I say that because the April 2021 mandate variation request form, signed by Mr M and his wife, asks Lloyds to add Mr B and Ms M to the account as "full power signatories". That meant Mr B and Ms M had full access to manage the account for Mr M's sole trader business. The mandate variation request form explained that such signatories had the power to "arrange advances to the Business by way of loan or overdraft". The "Business" here was Mr M's sole trader business, which cannot be distinguished from Mr M himself. In signing the form, Mr M had therefore given Mr B and Ms M authority to arrange an overdraft that Mr M would be responsible for repaying. (The form gave the alternative option to request that Mr B and Ms M became "limited power signatories", who could not have arranged an overdraft – but that option was not chosen.)

Mr M's wife told us that the reason for the mandate variation form was to enable Mr B and Ms M "to take over full control of the account". That is indeed what happened; by signing the mandate variation form, Mr M and his wife gave Mr B and Ms M full control of the account, together with permission to run up an overdraft. I appreciate that Mr M's dyslexia may have meant that he had difficulty in understanding the form, but it was signed by his wife (who was his representative in this matter) as well as himself.

There was a section on the April 2021 mandate variation request form to remove signatories, but that section was not completed. If Mr M and his wife had entered their own names in that section, Lloyds would have had the opportunity to explain that Mr M could not be removed.

I acknowledge that Mr M and his wife intended that they would later be removed from the account. Mr M's wife has explained that their agreement with Mr B and Ms M was that after the April 2021 mandate request was submitted, Mr B and Ms M "should in turn put in a mandate [variation] to remove both my husband and myself from the account. Obviously, they did not fulfil their part".

I cannot comment on whether Mr B and Ms M fulfilled their part of any agreement reached. But I can say that I'm satisfied Lloyds is not responsible for any of Mr B and Ms M's errors or omissions.

Lloyds subsequently changed the address on Mr M's sole trader account at the request of Mr B. I consider that Lloyds was entitled to do that, because Mr M had given Mr B full access to the account when he was appointed as a full power signatory. Lloyds was not required to contact Mr M separately to confirm the change.

Lloyds say that its records show that Mr B did make an attempt to remove Mr M from Mr M's sole trader account. Mr M is unhappy that Lloyds cannot provide a copy of the email it says it sent in response, and he is also unhappy that Lloyds did not contact him directly. It is unfortunate that Lloyds cannot provide a copy of its email to Mr B, but I don't think that makes a material difference here. It seems that Mr B was no longer keeping Mr M up-to-date, and so whatever that email actually said Mr M would not have seen it at the time.

I don't think it would be fair for me to criticise Lloyds for not writing to Mr M directly after Mr B asked for Mr M to be removed from the account. So far as Lloyds knew, Mr M had given Mr B permission to act on his behalf. That is supported by the evidence from Mr M's wife, when she said that Mr M was relying on Mr B and Ms M to put in a second mandate variation form. It's clear that Mr M assumed that that mandate variation had gone ahead, but I don't think Lloyds is responsible for his assumption.

I acknowledge that it would have been helpful to Mr M if Lloyds had written to him (or to his wife) to explain that Mr B had tried to do something to Mr M's account that was not possible. But I don't think Lloyds was required to do that. I also note that Mr M does not appear to have asked Lloyds for confirmation that he had been removed from the account.

Mr M has also asked about the overdraft reviews carried out after November 2020. I understand that Lloyds did carry out regular reviews of the overdraft on Mr M's sole trader account after November 2020, just as it did before November 2020. But it was not required to seek continued approval from Mr M. Mr M had already agreed to the

overdraft before November 2020, and I've seen nothing to suggest that he ever told Lloyds that he had changed his mind.

The evidence I've seen suggests that Lloyds first started to have concerns about the overdraft on Mr M's sole trader account in early 2024. It wrote to Mr M's wife about those concerns, because she was listed as the "primary contact name" for the account. That is consistent with the April 2021 mandate variation form signed by both Mr M and his wife, which named her as the primary contact. In the circumstances, I don't criticise Lloyds for writing to Mr M's wife rather than to Mr M himself.

Finally, I note Mr M's concerns that Lloyds did not provide him with sufficient support given his dyslexia (although he hasn't said what support he needed). As above, I can see that Lloyds sent the majority of its correspondence to Mr M's wife, at his request. I can also see that Mr M's wife has supported him in his complaint to our service. Again, I am sorry to further disappoint Mr M, but I'm not persuaded that further support for his dyslexia would have made a difference here. Even if Lloyds had given Mr M additional support, such as providing documents in large print or on coloured paper, I don't think that would have changed anything. Mr M's position is that he relied on Mr B and Ms M to remove him from this account. They did not (and could not) do that – and apparently failed to tell Mr M that they had been unable to remove him. But as I've said, I don't think Lloyds was responsible for any failures on the part of Mr B or Ms M.

I realise that all of this leaves Mr M in a very difficult position. He gave Mr B and Ms M full control of his sole trader account, and is now unhappy about the way in which they used that control. But for the reasons I've given above, based on the evidence available to me now I don't think it would be fair for me to uphold this complaint against Lloyds."

Lloyds accepted my provisional decision, but Mr M and his wife did not. Briefly, they said:

- Lloyds did not follow its own protocols for dealing with disabled people. It knew that Mr M was dyslexic, but it didn't offer any assistance (such as talking to him by phone or video). He was not fully aware of the details, and did not realise there was any option other than adding Mr B and Ms M as full power signatories.
- Previous yearly reviews of the overdraft were done either face to face or over the phone, so Mr M was able to understand what was being agreed.
- Mr M did visit the bank and ask to be removed from the account, and his wife is a witness to that. Lloyds have broken their own protocols by not having a record of his visit.
- Lloyds cannot prove that it told Mr B that the account had to be closed, and therefore it has not completed its due diligence.
- Mr M acknowledges that in the circumstances he does have to accept some liability, but not to the extent the bank claims. He suggests that given the bank's failure to follow its own protocols and its lack of support for his disability the bank should accept 70% liability.
- The letters the bank sent were incorrectly addressed to Mr M's wife, not to Mr M, and in any event they were sent to the address Mr B had provided. Nothing was sent to Mr M at his own address despite the bank's previous assurance that he would

receive copies of all important documents.

- The bank could have taken action much earlier to stop the debt from increasing. When its letters were ignored, it could have texted him (as it eventually did). It could also have explained to him that the mandate allowed Mr B to oversee the account without his knowledge, and if the bank had done so he would have stopped that immediately.

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 have reached the same conclusions as I did in my provisional decision, for the same reasons. I therefore confirm those provisional conclusions as final. But I will make some additional comments below.

I think the underlying problem here is that Mr B and Ms M have used Mr M's business account in a way that he says he did not expect. But for the reasons I gave in my provisional decision, I don't think that is Lloyds' fault. I consider that the mandate request form that Mr M signed was clear. Although I acknowledge that Mr M may have had difficulty in understanding the form due to his dyslexia, the form was also signed by his wife – who was Mr M's representative in this matter.

I do think that it's likely that Mr M visited a Lloyds branch at some point, but I'm not persuaded that he used that visit to give Lloyds instructions to remove him from his account. It is unfortunate that Lloyds can't provide evidence of his visit or visits, but I don't find that surprising given that Mr M can't tell me exactly when the visit took place.

Lloyds hasn't been able to provide documentary evidence to show that it told Mr B that Mr M could only be removed from the account if the account was closed. But even if Lloyds did not give Mr B that information at any point, I still don't think it would be fair for me to uphold this complaint. That's because I haven't seen any evidence that satisfies me that Mr M ever instructed Lloyds to either close the account or remove his name from it. Instead, I think Mr M relied on Mr B and Ms M to arrange the transfer, then they did not do what Mr M expected them to do. Mr B and Ms M may or may not have realised that what Mr M wanted was impossible, but I don't think that changes the outcome of this complaint.

As I said in my provisional decision, I realise that Mr M is now in a very difficult position. But I don't think it would be fair for me to set aside the fact that Mr M appointed Mr B and Ms M as full power signatories on his business account. I don't think Lloyds did anything wrong accepting instructions from Mr B and Ms M. In particular, I don't think Lloyds was wrong to write to Mr M's wife at the address provided by Mr B, given that Mr M had given Mr B full access to his business account – and full authority to make changes to it.

I accept that Lloyds could have acted differently here, in that it could have contacted Mr M much earlier. Mr M himself could also have acted differently, for example if he'd sought written confirmation in 2021 or 2022 that he'd been removed from the account. But overall, for the reasons I gave in my provisional decision I don't think it would be fair for me to uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint against Lloyds Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 July 2025.

Laura Colman
Ombudsman