DRN-5488688

The complaint

A company, which I'll refer to as P, complains about the way Lloyds Bank Plc managed its Bounce Back Loan (BBL) and repayments.

What happened

In May 2020, P successfully applied for a £23,500 BBL from Lloyds. It also opened a business bank account.

BBLs were designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak. Under a government-backed scheme, lenders could provide a loan with a six-year term for up to 25% of the customer's turnover, subject to a maximum of £50,000.

In May 2023, during a six-month capital repayment holiday on the BBL, P wrote to Lloyds to let it know that it could no longer afford the repayments but could only afford £30 a month. P sent Lloyds a cheque for £30 from then on. Five of these cheques were applied to the loan but two were not.

In December 2023 and January 2024, P sent cheques for £35 and £40 respectively, though they weren't applied to the loan.

In November 2023, P asked Lloyds to close the company's business bank account. The bank closed the account early in January 2024. Lloyds opened a new account for P – a loan servicing account (LSA) – from which the bank intended to take the contractual BBL payments. Later, one sum of £35 was credited to the LSA.

In February 2024, Lloyds issued a formal demand asking P to repay the balance of the BBL in full.

In February 2024, P made a complaint to Lloyds. Unhappy with Lloyds' response, P referred its complaint to this service. An ombudsman decided that we had powers to consider the following elements of the complaint:

- The bank refused to close P's business bank account when requested to do so and continued to charge for it.
- The bank lost, or failed to bank, several of P's cheques without explanation.
- The bank insisted that BBL repayments must be made via an internal transfer, despite the BBL agreement not including such a term.
- The bank opened an LSA for P without authorisation and declined to close it or de-link it from P's accounts.
- P had received letters from the bank's recoveries department and from its debt collection agents.

Our investigator looked at the evidence and concluded that Lloyds hadn't acted unfairly or unreasonably.

P didn't agree with the investigator's conclusions and asked for an ombudsman to review the case.

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 that, I've reached the same conclusions as the investigator.

Closure of P's business bank account

There was a short delay because initially the correct authorisation wasn't received and because Lloyds wanted to ensure that there was an account from which to take the contractual BBL payments, which as I explain below, I believe to have been reasonable.

In any event, the closure took just over a month, during which time there was activity on the account and P paid only £8.70 service charges. I don't regard this as a significant burden on the company. All things considered, I don't think Lloyds caused P any undue expense or inconvenience during its closing of the current account.

P's cheques

P complains that Lloyds lost or failed to bank several cheques without explanation. The bank says that it has no records on its system indicating that it rejected any cheques without explanation.

As these cheques weren't cashed, P hasn't suffered any financial loss.

Even if things had been different and these cheques – for about £100 in total – had been applied to the BBL, I don't think they would have affected the outcome of the events in this complaint. In my view it's likely that Lloyds would still have regarded the BBL to have been in default in February 2024 and would still have issued the formal demand for repayment.

Both parties agree that the £35 cheque has been credited to the LSA. As the money has been credited in the company's name, there's no financial loss to P. I note that the company would prefer the sum to have been applied directly to the loan, but again I don't think that would have made any difference to the outcome regarding the BBL default.

The bank's insistence that BBL repayments must be made via an internal transfer, and the opening of the LSA

I note that it was Lloyds' practice to accept BBL applications only from customers with an existing Lloyds account, and to collect payments only from a Lloyds account. When P closed its Lloyds business bank account, the bank set up the LSA so that there was an account from which it could collect the BBL payments.

P's director points out that a requirement to use a Lloyds account wasn't stated in the terms of the BBL agreement. That's true, but I don't believe it was unreasonable for the bank to set up the LSA as a matter of its usual process rather than as a contractual requirement. Given that P had chosen to close its current account, and the parties had agreed from the outset

that Lloyds would collect the payments when they were due, I think that having an account such as the LSA made practical sense and would have been helpful to both parties, to manage the payments. In any event, in my view it did no harm. I can't see that setting up the LSA damaged P or caused the company any loss.

P's director said the LSA raised concerns about unauthorised financial transactions being recorded in P's name, but I don't accept that the existence of the account in itself poses an unreasonable risk. I'm not aware that there has been any security breach.

P's director also said the account has further complicated the company's financial planning. But as P hasn't used the account and there has been little activity on it, other than the bank unsuccessfully attempting to take the BBL payments, I don't believe that its existence has been an undue burden on P for its administration or planning.

For these reasons, I don't think the bank acted unreasonably or unfairly when it opened the LSA.

Letters from the bank's recoveries department and from its debt collection agents

Lloyds has provided a copy of the letter it sent to P in February 2024, in which the bank explained that, as a result of missed payments, the BBL agreement had been broken and therefore repayment of the full loan balance was required within 14 days. The letter explained that the bank's next steps could include asking its recoveries department or a debt collection agency to work with the company on what was owed.

The loan balance wasn't repaid and, in the circumstances, I don't think it was unfair or unreasonable for the debt to be passed to the bank's recoveries department, which would be able to engage with P about a repayment plan. Nor do I think it was unfair or unreasonable for the bank to use the services of a collection agency to pursue the debt. There's no legal or regulatory requirement on the bank to halt recovery action while a customer still has a live complaint.

In conclusion

P's director says that Lloyds has caused material distress to the company. I note that P's director has objected to the bank's actions and I recognise the strength of his feelings. But having considered the evidence, I don't think these events have caused significant financial loss or inconvenience to the company.

In any event, for all the above reasons, I don't find that Lloyds acted unfairly or unreasonably.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 7 July 2025.

Colin Brown
Ombudsman