

## **The complaint**

Mr B complains that Cumbria Community Asset and Reinvestment Trust Limited trading as Enterprise Answers misled him into taking out a loan that required his personal guarantee rather than a Recovery Loan ("RL"). He says that Enterprise Answers have subsequently tried to enforce the sale of his personal property to repay the debt.

## **What happened**

Both sides agree that:

- In 2021, Mr B approached Enterprise Answers regarding a loan for his limited company, which I'll call B.
- In July 2021, Enterprise Answers offered B a £50,000 five year loan, subject to a personal guarantee from Mr B. Mr B signed the documentation a few days later and the loan was drawn down in early August 2021.
- B stopped making repayments in 2022 and Enterprise Answers issued a formal demand for repayment in July 2022.
- Mr B engaged with Enterprise Answers' lawyers and agreed to a charging order over a property. He said he planned to sell the property to repay the loan.
- B was dissolved in September 2023.
- When Mr B complained in 2024, Enterprise Answers initially said that B had never been eligible for a RL because it wasn't incorporated in time. They then revisited their response and said that Mr B had never applied for a RL on behalf of B and in any case, B would not have been eligible because they were able to offer a loan on normal commercial terms.

I issued a provisional decision on 3 April 2025, in which I did not uphold the complaint. I said:

### **Our Powers to look into this complaint**

We can't look into all complaints we receive. There are rules. These rules are set out in the Financial Conduct Authority (FCA)'s handbook. They are called the Dispute Resolution (DISP) rules and are derived from The Financial Services and Markets Act 2000.

One of these rules concerns who is eligible to refer a complaint to our service. Micro-enterprises are one category, but B cannot complain because it no longer exists. A guarantor is also an eligible complainant, but guarantors are only able to complain about matters relevant to their relationship with the respondent as a guarantor.

Having considered this, I have concluded that alleged misinformation given by Enterprise Answers, which resulted in Mr B giving the guarantee, is a matter relevant

to Mr B's relationship with Enterprise Answers as a guarantor. I am therefore satisfied that we do have the power to look into this complaint.

**Did Enterprise Answers give Mr B incorrect information and if so, what impact did that have?**

Having considered all the available evidence and arguments, I am sorry to disappoint Mr B, but I haven't been persuaded that Enterprise Answers misled him about applying for a RL. I will explain why in more detail below.

There has been some confusion about the eligibility rules for the RL Scheme, so I will address that first. This scheme did not contain a rule that borrowers had to be incorporated before 1 March 2020. I can see no reason why B would not have been eligible. It's also the case that lenders could not take personal guarantees to support RLs of under £250,000 at that point in time. So if B had obtained a RL, it would not have had a guarantee requirement.

Each side has given a very different account of what happened when Mr B approached Enterprise Answers on behalf of B in 2021. Mr B says he approached them specifically for a RL, having already applied for a RL elsewhere. And he says Enterprise Answers' representative told him B wasn't eligible for a RL and advised him to take their standard commercial loan (with a guarantee) instead.

On the other hand, Enterprise Answers says that they can find no mention that B was seeking a RL at the time and their representative can recall no discussions about it. They also say that they would not have been able to offer a RL anyway, as that scheme was only available where they could not make a loan under their usual commercial terms.

In cases like this, where there is very limited evidence to support either version of events, I must decide based on the balance of probabilities, that is, what I think is more likely than not to have happened. In this case, my provisional finding is that I am not persuaded that Mr B was advised not to pursue a RL but to take out a commercial loan instead.

I say this in part because I've seen no written evidence that indicates RLs were discussed. If Mr B was so set on a RL and was already familiar with the product from an earlier application, I would have expected him to be more persistent in his request, especially if his bank hadn't suggested there were any eligibility issues when he applied there. The time between him approaching Enterprise Answers and the loan being granted was very short and not suggestive of any hesitation on his part, which I would have expected if he was really looking for a different product or was concerned about taking on a guarantee liability.

In saying this, I've taken into account the version of events Enterprise Answers gave in their initial response to Mr B's complaint, which was that B wasn't eligible for a RL and their representative had informed Mr B of that fact. This eligibility information is, as I've said, incorrect and Enterprise Answers would have been wrong if they had told Mr B this at the time. But I'm not persuaded that they did. I note that Mr B's initial complaint doesn't mention the incorrect incorporation date information but simply says that Enterprise Answers' representative "advised against utilising the government-backed scheme".

If Mr B has any evidence of the "initial correspondence" he refers to in which RLs were discussed and he was deterred from applying, I invite him to supply it and I will

consider it before issuing my final decision.

Mr B believes that, if Enterprise Answers hadn't made an error, they would have agreed to lend to B under the RL Scheme. However, I don't think the evidence supports that conclusion. My provisional thinking is that Enterprise Answers would never have given B a RL. Under the RL scheme, the decision to lend was left entirely to the discretion of lenders. The scheme was designed to improve the terms on offer to borrowers, particularly those with no security or those who would not be able to borrow at all without the government guarantee. The British Business Bank made it clear that lenders should lend under their usual commercial terms if they considered themselves able to do so. In this case, Enterprise Answers was able to lend under commercial terms. It is therefore my view that they would never have offered B a RL.

Even if I were to conclude that Enterprise Answers had misinformed Mr B, I'm not persuaded it would have made any difference to the events that followed. Mr B chose to go ahead with the loan offered by Enterprise Answers, although he says it wasn't what he wanted and he was required to sign a personal guarantee. He doesn't dispute that he understood what the guarantee meant and I am aware he had given a guarantee to another lender already. He also chose to sign a waiver rather than seek legal advice.

Even if Mr B believed B was ineligible for a RL, there was nothing stopping him from investigating the terms other lenders might offer, but he chose not to do so. B had already been turned down by one lender and was clearly keen to obtain funds so it could start importing stock. I think it's more likely than not that, whatever Enterprise Answers said to him, he'd have taken the offer of this loan in any case and thus given the guarantee.

Mr B wants me to put him back in the position he would have been in if Enterprise Answers had not given him incorrect information. He considers that his personal guarantee should be cancelled, the charge on his property removed and the amounts he has paid personally returned, as well as receiving a payment for distress. For the reasons I've explained, I'm not persuaded Enterprise Answers did get things wrong, but even if they did, I don't think it would be fair to direct them to take the actions Mr B is requesting. I don't doubt that Mr B is in a stressful situation, but I do not currently consider that this position is the result of errors by Enterprise Answers.

Mr B disagreed with my provisional conclusions and asked me to consider the following points:

- His journey started directly via the British Business Bank website, which listed lenders participating in the RL scheme.
- He completed an application form and the next day, received a phone call during which he was explicitly informed that B was ineligible for the RL scheme.
- He found it concerning that Enterprise Answers had not recorded that call.
- He could clearly demonstrate his intent to apply for an RL, which he had previously applied for elsewhere.
- Enterprise Answers stated in their formal response to his complaint that B was ineligible due to its incorporation date. He found it hard to accept that this was simply a mistake. Why would a senior individual have used that precise rationale unless that reasoning was known internally.

- The RL scheme was highly publicised. Why would a rational borrower approach a lender at that time and not even raise or discuss the scheme?
- I had inaccurately reflected the British Business Bank's guidance, which said that lenders should lend under their commercial terms only if those terms were better than the RL scheme. The requirement for a personal guarantee clearly made the terms worse.
- It was entirely reasonable of him to trust the word of an FCA-authorized lender.
- He had only accepted the loan terms because he had been falsely informed that B did not qualify for an RL. This had deterred him from approaching other lenders.

### **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'm sorry to disappoint Mr B, but I haven't been persuaded to change my provisional view that Enterprise Answers did not mislead him.

It is unfortunate that Enterprise Answers don't record their calls and there is therefore no evidence of the conversation that Mr B says took place immediately following his application. However, the lending here is unregulated – and would have been unregulated even if it was through the RL scheme. There are thus no regulations requiring calls to be recorded so I do not criticise Enterprise Answers for not doing so.

I have looked carefully at Mr B's original complaint and I note that it said nothing at all about being told B was ineligible for the RL scheme. Rather, the complaint says Enterprise Answers' representative "advised against" utilising the government backed scheme, instead recommending its commercial loan product.

Mr B has now said that, after he submitted an application, he was "explicitly informed" that B was ineligible. This is in my view, a distinctly different argument from that made in his original complaint. And it seems to me that he has only made this eligibility argument since he received the final response to his complaint, which erroneously said B was ineligible. I find it unlikely that he would not have mentioned eligibility in the original complaint if that was what he had been told.

I'm also conscious that Mr B had already approached a bank about a RL. That bank would have informed him if there were any problems with B's eligibility, so I think he would already have had some confidence that B was eligible before he approached Enterprise Answers.

Enterprise Answers have undoubtedly not helped their position by the error in their final response (an error they say they made due to a hurried response in a bid to meet Mr B's deadline for relating to a property sale). Mr B argues that their response indicates a systemic belief within the lender that had always existed. I don't think that is a fair conclusion, particularly given that his original complaint didn't mention eligibility.

Mr B's argument is now that, because he was told B was ineligible, he didn't seek borrowing elsewhere, as he thought this was pointless. But this isn't the argument he made in his original complaint and I'm not persuaded that is what he was told. I think it is more likely that, in the event that RLs were discussed, Enterprise Answers told him that they wouldn't offer a RL but could offer a commercial loan instead. I think that this a position Enterprise Answers were entitled to adopt. And I think Mr B then chose to proceed, despite knowing that it meant giving a personal guarantee.

Mr B feels I was inaccurate in my description of the guidance on the RL scheme. I accept that there was little guidance as to what "better terms" meant – and I can see why he thinks a personal guarantee meant the terms were clearly worse. But there is guidance that the scheme was not designed for borrowers who could borrow on commercial terms and who had available security. Rather, it was designed to make borrowing available to businesses who would simply not be able to access it otherwise.

Mr B accuses Enterprise Answers of a "bait and switch" tactic. But I can't see what the advantage of that would have been. Enterprise Answers was an accredited RL lender. So I cannot see how they would gain from providing a commercial loan (backed by personal guarantee) rather than a RL, backed by a government guarantee.

RLs were always at the discretion of lenders and ultimately, my conclusion remains that Enterprise Answers were not obliged to offer B a RL and clearly did not do so. Even if there was a discussion about RLs, I think it was clear what Enterprise Answers were prepared to offer. Mr B was not obliged to accept the loan offer, but he chose to do so, choosing also to waive obtaining legal advice regarding the guarantee.

### **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 Mr B to accept or reject my decision before 22 May 2025.

Louise Bardell  
**Ombudsman**