

The complaint

A company, which I will refer to as C, complains that Lloyds Bank Plc treated it unfairly following the 2022 reinstatement of its bank account.

What happened

I understand that both parties agree:

- In November 2021, C had a Bounce Back Loan (BBL) and a bank account (which I will call 'the old account') with Lloyds.
- At the beginning of December 2021, Lloyds applied its normal interest charge to C's BBL. That turned out to be the last interest charge that was ever applied to the BBL. The balance of the BBL as at 2 December 2021 was just under £24,200.
- A few days later, C was struck off the Register of companies and dissolved. (There is no need for me to go into any detail about why that happened, other than to say it was an administrative issue. Nobody has suggested that Lloyds was in any way responsible for C's dissolution.)
- Shortly after C was dissolved, Lloyds suspended C's old bank account. Lloyds also issued a formal demand for full repayment of the BBL.
- In February 2022, C was administratively restored to the Register. Lloyds then reinstated C's old bank account. C's directors believed that the old bank account had been restored to exactly the position it was in before the dissolution – and was not at risk of closure – but they later discovered that that was not the case. Lloyds has accepted that it misinformed C's directors about the reinstatement of the old bank account, and has paid £500 in compensation.
- No payments were made towards C's BBL between February 2022 and February 2023. (Payments were also missed before February 2022, but C does not appear to be blaming the bank for those missed payments). Similarly, C did not use the direct debit system to make any payments to HMRC between February 2022 and February 2023.
- In December 2022, one of Lloyds' internal teams reviewed C's BBL and noticed that payments were not being made. The bank's staff member noted that the problem appeared to be that when the company was reinstated, the blocks on its current account (the old account) were removed to enable the account to be used – but the blocks on the BBL account remained.
- In February 2023, Lloyds applied some restrictions to C's old account. It later said that it should have fully blocked C's old account much earlier (around February 2022), and paid C £200 in compensation for its delay in applying the restrictions.

- C's directors contacted Lloyds as soon as they realised a block had been applied to the old account. There was a discussion about opening a replacement bank account (which I will call 'the new account'), but that did not happen immediately.
- C was required to make payments towards its employees' pensions during February 2023, but the restrictions on C's old bank account meant the payments could not be made from that account. C's representatives told us that C was ultimately fined £400 because the February 2023 payments were delayed.
- In early March 2023, Lloyds transferred just over £4,000 from C's old account to reduce the balance of C's BBL. Lloyds made further payments from C's account to the BBL in late March 2023, mid June 2023 and mid January 2024. By the end of January 2024, C's BBL had been fully repaid and the old account was closed. Lloyds says that it was entitled to make those payments under its right of set off.
- At the end of March 2023, Lloyds agreed to transfer just over £21,500 from C's old account to a director's personal account. The director used that money to pay wages and other costs on C's behalf.
- In mid May 2023 Lloyds opened a new account for C. That account was not fully functional until C's directors received bank cards some weeks later. I understand the delay in opening the new account was partly because C's directors could not provide three months of bank statements (because Lloyds had restricted and then closed C's old account). Lloyds has offered £250 to apologise for its delay in opening the new account, but I don't think that amount has yet been paid.
- In late June 2023, one of C's customers made a payment to C's old account. It was six days before those funds were transferred to C's new account. C's directors consider that at that stage it should not have been possible for anybody to make payment to its old account.
- C's directors told us that they and their family acted to their own financial detriment to ensure that C could remain afloat. They cashed in investments, and borrowed money. In effect the BBL has been repaid by money lent to C by its shareholders and their family members.

My provisional decision

I issued a provisional decision on this complaint in March 2025. I said:

"[M]y provisional conclusions are:

- Lloyds acted fairly when it issued a formal demand for the BBL in February 2022.
- However, Lloyds did not act fairly following C's restoration. At that point, Lloyds should have given C an opportunity to make up the arrears on the BBL. Had the bank done so, it is likely that the BBL would still be in force with payments made up to date.
- In addition, Lloyds did not act fairly when it applied blocks to C's old account in February 2023. Lloyds should have either allowed the old account to continue indefinitely, or talked to C's directors with the aim of ensuring a smooth transition from the old to the new account.

- Lloyds should compensate C by putting it in the position it would have been in if the bank had done the above.

I discuss my provisional findings in more detail below.

The original suspension of the old bank account and the formal demand

C hasn't complained about the actions Lloyds took as a result of C being dissolved. However, for completeness I should say that I have no concerns about the original suspension of the old account, nor do I have any concerns about the bank's decision to issue a formal demand for repayment of the BBL. The effect of the formal demand was that the entire amount of the BBL became due immediately.

Lloyds has said that when a limited company is struck off, it removes all facilities from that company and refers all of that company's accounts to its Recoveries Team. That is a very common industry practice, and again I have no concerns about Lloyds' original decision to refer C to Recoveries.

Failure to pay BBL and VAT payments between February 2022 and February 2023

The evidence I have seen so far suggests to me that the bank and C may both hold some responsibility for C's failure to meet its obligations between February 2022 and February 2023.

My starting position is that C was responsible for making payments to its BBL, and C did not do so. However, in this case I also think the bank's actions – or inactions – contributed to C's failure. I don't think it would be fair for me to ignore that. C's representatives say the bank told them in February 2022 that C's old account had been reinstated exactly as it was, but they later discovered that was not true. I understand they now believe that Lloyds failed to reinstate direct debit mandates for VAT payments and for BBL payments. I don't know whether Lloyds did reinstate C's direct debit mandate for its BBL payments – I think it is possible that the direct debit mandate was in fact reinstated, and C's representatives are mistaken as to what exactly went wrong. But given what happened, I don't think that is material.

Lloyds' evidence is that it did not even attempt to collect BBL payments between February 2022 and February 2023. That means that even if the direct debit mandate had been reinstated, the BBL payments would still not have been made. It appears that Lloyds simply ignored the existence of C's BBL between February 2022 and February 2023, and made no attempt to either seek payment or discuss the matter with C's representatives.

I acknowledge that Lloyds was entitled to issue its February 2022 final demand, and it was therefore entitled to ask C to repay the full amount of the BBL. But the circumstances here are unusual. In most cases, final demands are issued to borrowers in financial difficulty, after the bank has already made extensive efforts to obtain payment. Here, it appears that C was not in any financial difficulty, and I haven't seen anything to suggest that Lloyds approached C to discuss the outstanding payments.

I have seen C's bank statements, and I'm also aware that its directors and their family members later contributed personal funds to ensure C could continue to trade. Based on the information I've seen, I think that C could have afforded the contractual payments to the BBL from February 2022 onwards. I therefore think that if Lloyds had approached C's directors in February 2022 (or indeed at any other time up February 2023) and asked for their proposals for the outstanding BBL payments, a mutually acceptable solution would have been agreed. That is likely to have meant the BBL remained in force, and C's directors and associates would not have needed to lend their personal funds to C.

I draw a distinction between the BBL payments and the VAT payments. I think Lloyds does hold some responsibility for the missed BBL payments, because those BBL payments were owed to Lloyds and the bank did not even try to collect them. But the VAT payments were not owed to Lloyds; they were owed to HMRC. I don't know whether HMRC made any attempt to collect the money, to send reminders to C, or to arrange a payment plan. But Lloyds is not responsible for HMRC's actions (or inactions). In any event, ultimately C was responsible for ensuring that it paid the correct amount of tax at the correct time. I don't think it would be fair for me to criticise Lloyds for C's non-payment of its VAT.

February 2023 suspension of old bank account

Lloyds' position is that restored companies like C cannot continue to use the bank account they had before their dissolution, and must open a new bank account instead. I think Lloyds is entitled to take that position. If Lloyds had explained to C in February or March of 2022 that it was not willing to reinstate C's old bank account, it is likely I would have said that was reasonable. But I don't think it was reasonable for Lloyds to completely reinstate C's old bank account in February 2022 (or at least appear to do so) and then apply restrictions to that account a year later.

Put another way, I think Lloyds had the right to close C's bank account without notice in the period between C's dissolution and administrative restoration. But I don't think that means it was fair for Lloyds to exercise that right almost a year after the restoration.

Despite Lloyds' usual process, it is clear that it was *possible* for C to continue to use the old bank account after C's dissolution and restoration. I say that because C did use the old account for nearly a year, without noticing any problems (although as above, C's directors later discovered problems with payments to the BBL and to HMRC). I am therefore uncertain why Lloyds did not simply allow C's old bank account to continue.

If Lloyds did have some administrative difficulty in allowing C to continue to use its old bank account, then I think the fair thing to do would have been to approach C's directors and explain that difficulty. If Lloyds had explained that it needed to allocate a new account number to C, I think it is likely that C's directors would have co-operated – particularly if Lloyds had explained that the requirement for a new account number was connected to C's dissolution and subsequent restoration.

If Lloyds had worked with C's directors with the aim of ensuring a smooth transition from C's old bank account to its new one, then I think it is unlikely that C's subsequent difficulties with payments from and to the new account would have happened.

Pension payments

C is required to make payments to Nest in respect of C's staff members' pensions. C's representatives have explained that C could not make those payments in February 2023 because it did not have a bank account. They promised Nest that C would pay as soon as it could, and then they attempted to make February 2023's payments in July 2023 (from C's new account).

C's initial attempt at making the February 2023 payments was unsuccessful because C's new account had insufficient funds. The February 2023 payments were ultimately made in mid July 2023 and mid August 2023. C's representatives say that C was fined £400 by the pension regulator because February 2023's payments were so late.

Based on the evidence I have seen so far, I am not satisfied that an error by Lloyds prevented C from making payments to Nest in February 2023. It's obvious that Lloyds' actions made it more difficult for C to make payment – Lloyds placed restrictions on C's old account such that C could not make payment from that old account. But it's also clear that C had access to other funds, which its directors used to pay C's staff. I don't see any reason why C's directors could not have made the pension payments from those other sources of funds.

Overall, I think Lloyds' actions in February 2023 caused inconvenience with respect to the pension payments, but I don't think Lloyds prevented those payments from being made. I think C's directors could have taken actions which would have avoided the £400 fine.

June 2023 customer receipt

One of C's largest customers made a payment into C's old account in June 2023, and it was six days before that payment was transferred to C's new account.

I accept that the delay was inconvenient, but I haven't seen evidence to show that C suffered a financial loss as a result.

Putting things right

My aim in considering compensation is to put C in the position it would have been in if everything had happened as it should.

Here, that is complicated by the fact the BBL has been repaid in full. But ideally, I consider that Lloyds should rework C's accounts along the following lines:

- The BBL should have been reinstated in February 2022.
- C should have made a single payment in February 2022 to cover the arrears.
- The BBL should have continued on its original terms from February 2022 onwards.

In effect, that means Lloyds should give a cash refund to C (because the payments Lloyds took from C under the right of setoff are greater than the BBL payments that C has missed up until now). In addition, Lloyds should offer a loan

to C, over the remaining term of the BBL and on the same terms as the BBL, with an initial balance equal to the balance the BBL would have had if the BBL had been reinstated in February 2022 and then payments had been made on time from February 2022 onwards (bearing in mind that Lloyds would have been entitled to charge interest on the loan).

If Lloyds has reported any negative information about C's failure to make payments to its BBL from February 2022 onwards, it should correct that record. (I have no concerns about any negative information Lloyds might have recorded between the date of C's dissolution and the date of its restoration; I consider that Lloyds was entitled to record C's failure to make payments over that period).

I acknowledge that C's directors may not want to take a further loan from Lloyds, and that their original request to the Financial Ombudsman Service was that we make an award of financial compensation rather than a restructure of C's lending arrangements. But I think the restructure I have set out above – which does require Lloyds to pay some cash to C – represents a fair and reasonable resolution in respect of the financial loss that C has suffered. I will of course be happy to consider any alternative redress suggestions from either C's directors or the bank.

I have also considered C's other claims for compensation:

- I don't think it would be fair for me to make an award at C's director's hourly rate for the time he has spent in dealing with this matter. We do not usually take a complainant's representative's hourly rate into consideration (see <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> for more details.) In any event, even if the bank had made no errors I think that the banking consequences of C's dissolution would still have taken a considerable amount of the director's time.
- I don't intend to make any awards in respect of costs or interest incurred by C's directors (or anyone associated with them) for the purpose of raising funds for C. The complainant here is the limited company C, and I only have the legal power to make awards for losses suffered by C itself. I think the restructure I have suggested above will put C in the position it should have been in with respect to the BBL. C's directors will then be able to choose how to use the loan proceeds, and it will be up to them whether they use the money to repay the loans made by C's directors and their family members to C.
- Similarly, I have no power to make an award to compensate C's directors or shareholders for stress or anxiety. I do not doubt that the situation was extremely stressful for them (albeit some of the stress may have been caused by the dissolution of C rather than by anything Lloyds did). But the complainant C, as a limited company, is not capable of feeling distress.
- I don't think it would be fair for me to order Lloyds to refund the £400 fine applied in respect of the February 2023 pension payments, because as I've said I think C's directors could have taken action to ensure that money was paid on time.
- I am aware that C has made a claim for £36,000 for the loss of a contract,

but I haven't seen sufficient evidence to persuade me that the contract was lost as a result of Lloyds' errors (rather than, for example, because the other party to the contract simply preferred a different supplier).

- In principle I am prepared to consider C's claim for £25 of bank charges in respect of returned direct debits, but I would need C to tell me the date those charges were applied and whether they applied to the old or the new account.

I have also considered whether it would be fair for me to require Lloyds to do anything more in respect of C's non-financial loss. Whilst companies like C cannot suffer distress, they can suffer inconvenience – and I consider that Lloyds' actions here have caused C substantial inconvenience.

However, Lloyds has already paid C £700 to apologise for its errors (£500 plus £200) and has offered a further £250. I know our investigator thought the bank should pay an additional £150, but my view is that it would not be fair for me to require Lloyds to increase the £950 the bank has already paid (or offered) in respect of inconvenience. I say that having considered the guidance I referred to above, which says that an award of more than £750 might be fair where a bank's mistake has caused serious disruption over a sustained period, with the impact felt over many months."

C's representatives accepted my provisional decision, and said that they wanted C to be placed in the position it would have been in if the BBL had not been terminated. Lloyds did not accept my findings. Briefly, it said:

- The account was initially sent to Recoveries due to a customer error. The original dissolution of the company was caused by an agent of C, and not by the bank.
- It was correct to issue a formal demand after C was dissolved.
- When the account was reinstated, the internal monthly direct debit was not reactivated. However, the customer did not contact the bank until February 2023. Whilst the bank did not chase for payments (or record arrears), the customer knew that it was required to make payments to its BBL and failed to do so. The customer had received the terms and conditions of the BBL, and so it would have known that the loan might be defaulted if payments were missed.
- In addition, there were arrears even before borrower was struck off at Companies House. The customer had insufficient funds in its bank account before the first payment, and that direct debit was returned.
- Overall, the bank does not feel it is correct to pay back to the customer the monies taken under the right of set off, and it does not believe that the customer should receive a refund of "perceived overpayment".
- In respect of C's credit file, it would need to see a copy of the customer's credit file to establish what (if any) adverse information had been recorded.

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 now confirm those provisional conclusions as final. I will however make some further comments below.

I acknowledge that the initial problem was caused by C and/or C's representatives. Lloyds was in no way responsible for the fact that C was struck off the register, and it is unlikely that any of the subsequent issues would have occurred but for the strike off. But as I said in my provisional decision, I think Lloyds did make errors here – and I don't think it would be right for me to ignore those errors.

Lloyds is right to say that following C's restoration to the register, C did not make the BBL payments that it knew (or ought to have known) were due. Lloyds is also right to say that C was responsible for making those payments. But as I said in my provisional decision, I think that the bank's actions contributed to C's failure to make payments to its BBL. Again, I don't think it would be fair for me to ignore that.

In hindsight, I think C's directors would have saved themselves considerable difficulty if they had been more proactive about checking that C's BBL payments were being deducted as they should have been. But in light of the information given to them by Lloyds – that C's current account would continue as before – I can understand why the directors did not make those checks. In the particular circumstances of this case, I don't think it is fair for C to be penalised for failing to make payments to its BBL. Lloyds made no attempt whatsoever to collect the BBL payments, and I think it was reasonable for C's directors to have assumed they were being paid.

I have noted Lloyds' comment about C's first BBL payment, but I don't think that changes anything. It's clear that C's representatives made some administrative errors, one or more of which led to C's dissolution. I think it is likely that their failure to arrange for C's current account to contain enough money to pay the first instalment of C's BBL was simply another administrative error; I don't think it suggests that first instalment was unaffordable. However, the delay in making the first payment was not Lloyds' fault, and so I would have no concerns if Lloyds had reported that first late payment to credit reference agencies.

As I said in my provisional decision, I think that Lloyds bears considerable responsibility for the fact C missed payments to the BBL after C was restored to the register. If Lloyds has reported any negative information about C's failure to make payments to its BBL from February 2022 onwards, it should therefore correct that record. I am surprised that Lloyds does not appear to know what it recorded, but the confusion on that point means that C will need to provide Lloyds with a copy of its credit report to enable Lloyds to carry out the necessary corrections.

As things stand, C has repaid its BBL in full (via the payments Lloyds took under its right of setoff). If Lloyds had made no errors – and if it had simply talked to C and given accurate information about what had happened and what C needed to do next – then I think C's directors would have arranged for the BBL payments to be made. I say that because of their actions from February 2023 onwards, after they realised the old account had been blocked, when they made considerable efforts to source alternative funds in an attempt to cover C's obligations. I therefore remain satisfied that the fair resolution to this complaint is for C to be put into the position it would have been in if the BBL had been properly reinstated in February 2022.

My final decision

My final decision is that I uphold this complaint. I order Lloyds Bank UK Plc to:

- Rework C's accounts to put it in the position it would have been in if its BBL had been

reinstated in February 2022. Lloyds should assume that C would have made a single payment in February 2022 to cover the arrears, and BBL would then have continued on its original terms from February 2022 onwards.

- Correct C's credit file as set out above (C will need to provide Lloyds with a copy of its credit file to enable that correction).
- Pay £250 for inconvenience (bringing the inconvenience payment to a total of £950 once Lloyds' previous payments have been taken into account).

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 23 May 2025.

Laura Colman
Ombudsman