

The complaint

Miss W complains that Federal Capital Limited behaved unreasonably in pursuing her for debts of a company she was director of under a personal guarantee. She would like to be compensated.

What happened

Miss W was the director of a company. In November 2023 this company entered into an agreement to borrow £15,000, to be repaid over 12 months. However, by May 2024 the company had struggled to meet the expected repayments. When agreed repayments were missed Federal Capital decided to terminate the loan agreement.

In June 2024 Federal Capital wrote to Miss W to say the loan agreement had been terminated, and that they were now asking her to repay the outstanding balance under a personal guarantee.

Miss W complained, saying she had not agreed to be a guarantor. She felt Federal Capital had been aggressive in their pursuit of the loan and had escalated the situation unnecessarily. The loan was eventually settled by another director.

One of our investigators looked into what happened but didn't think Federal Capital needed to do anything further. She reasoned that it's likely Miss W did sign the personal guarantee, and under this guarantee it's not unreasonable for Federal Capital to pursue her for any outstanding debts relating to the loan. She didn't think the communication from them had been unreasonable.

Miss W disagreed, so the complaint has now been passed to me to decide.

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.

Miss W has raised several points about Federal Capital's decision to call in the company's loan, and the impact this has had on other directors. But as this complaint is directly from her in her capacity as a guarantor, I can't consider these points. I also note she's no longer a director of the company, so she can't bring a complaint about the impact on the company itself.

I have considered whether Miss W agreed to act as a personal guarantor. The investigator relied upon the Lending Standards Board's Standards of Lending Practice guidance. This guidance broadly explains that lenders need to tell customers about any security taken – such as a personal guarantee. They should make clear to the guarantor what their obligations are under the agreement and also recommend that the guarantor seek independent legal advice. I'm satisfied that this represents good industry practice at the time.

I've reviewed the loan documentation from Federal Capital, which includes information on the personal guarantees signed by each of the directors. I'm satisfied that the information given explains that each guarantor may be liable to repay the full amount of the loan, should the company not be able to. And I'm satisfied that it recommends the guarantors seek legal advice before agreeing to this. So, I see that the documentation from Federal Capital meets the standard I'd expect.

This guarantee was sent to Miss W's email address, and it was this signed electronically. Miss W has said she did not knowingly give informed consent to act as a guarantor – but ultimately, it's up to her to read and understand the documents she was signing, and to seek appropriate legal advice if she was unsure. Miss W was as director of the company at the time, and it's not unusual for lenders to look for directors to sign personal guarantees as a condition of lending. In this case, I'm not persuaded that Federal Capital have done anything wrong by asking for, and then accepting, Miss W's personal guarantee.

The loan itself did end up in arrears and was terminated by Federal Capital. In those circumstances I don't see that it's unreasonable they asked Miss W to repay under the personal guarantee – this is what she agreed to. I don't doubt it was shocking and unpleasant to Miss W to suddenly find herself held responsible for a considerable sum of money. But having reviewed the communication between her and Federal Capital, I don't find that they have been unreasonable, or overly aggressive. Ultimately, they were entitled to pursue the outstanding amounts under the personal guarantee.

In any event, the debt has now been settled by another director, and Federal Capital are no longer pursuing Miss W. I don't see that Federal Capital have been unfair or unreasonable here, and as such I don't see that they need to do anything further.

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 Miss W to accept or reject my decision before 27 November 2025.

Thom Bennett
Ombudsman