

The complaint

A company, which I will refer to as B, complains that Lloyds Bank Plc lent to it irresponsibly and treated it unfairly during a period of financial difficulty.

What happened

B originally had a £15,000 overdraft with Lloyds. The overdraft limit was increased to £25,000 in August 2022. This overdraft was reviewable by the bank on an annual basis but was otherwise open-ended in duration.

Lloyds issued B its formal demand for immediate repayment of the overdraft in August 2024. At the time, B's account was overdrawn by over £26,000 and there had been no funds deposited into the account since March 2024.

Mr R complained to Lloyds. He argued, in short, that Lloyds had unfairly called in the lending when considering that he'd tried to work with the bank to find a solution but Lloyds hadn't shown the same willingness to engage with him. To this point, Mr R drew attention to the significant interest B had paid towards the overdraft over the years, and how Lloyds had shown little concern while B was utilising nearly all of the overdraft. Mr R also said that the overdraft had been provided with little to no checks.

One of our investigators looked into B's complaint but he didn't think Lloyds had treated B unfairly. In summary, he thought Lloyds had attempted to communicate its concerns about B's financial circumstances appropriately prior to calling in the overdraft. Furthermore, he found that B had exceeded its overdraft limit and never brought it down. So he concluded it was reasonable for Lloyds to issue a formal demand for repayment of the lending. He also said that he didn't think Lloyds had lent irresponsibly to B.

Mr R disagreed with our investigator, primarily because he remembered that Lloyds had effectively withdrawn B's overdraft on 1 April 2024. Mr R said that if Lloyds hadn't withdrawn the overdraft, he would have made payments into the account. The effect of withdrawing the overdraft was that B would have had to pay over £25,000 to continue using the account, which wasn't possible. Mr R said that he was waiting for the bank to reinstate the overdraft limit and then B would have made payments into the account to allow continued use.

Our investigator considered Mr R's point but it didn't substantially change his thoughts. He said that even if he accepted the bank had removed B's overdraft on 1 April 2024, this still represented a debt that wasn't being repaid. He thought it was reasonable for Lloyds to call in B's overdraft in these circumstances.

As Mr R didn't agree, B's complaint has 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.

Having done so, I've reached the same outcome as our investigator, for broadly similar reasons. Nevertheless, I recognise Mr R feels strongly that B has been treated unfairly. So I will make further comments.

I'm not persuaded that Lloyds lent irresponsibly to B. As our investigator pointed out, this is lending to a limited company and Mr R has not given reasons as to why it was unreasonable for Lloyds to lend to B. I further agree with the investigator that, as director of B, Mr R is ultimately responsible for deciding what contracts B enters. I see nothing unfair about Lloyds' decision to lend. So I've gone on to consider whether Lloyds treated B fairly in other regards.

B has evidently been in financial difficulty. The statements I've seen show that in 2023 and 2024 B was consistently near its overdraft limit. Moreover, I can see that on several occasions B exceeded that limit and that Lloyds wrote to B to inform it could not honour some payments that would have taken B over the limit. Given an overdraft is not intended to be used over the long term and that B had with some regularity exceeded the limit, I think Lloyds was right to have concerns about B's ability to repay the debt.

I accept Mr R's statement that he had tried to engage with Lloyds to find a solution to B's debt. The evidence shows Lloyds and Mr R discussed a plan to address reducing B's overdraft. Around March 2024 B asked Lloyds to provide a new overdraft of £25,000, with the limit reducing £300 each month for 12 months.

There has been some confusion about exactly what happened next. Based on what I've seen, I conclude that a new overdraft agreement (which set out the £25,000 limit, with £300 monthly reductions) was produced on 2 April 2024. Mr R says he has no recollection of ever receiving this agreement. Lloyds says that the overdraft was granted but, due to a system issue, was never activated.

Lloyds says it then held further discussions with Mr R throughout April and onwards and asked him to submit information to assess affordability. Mr R submitted this information but Lloyds decided not to proceed with the new overdraft due to affordability concerns. I will repeat that I don't think Lloyds' concerns here were unreasonable.

This all means that I think Mr R is correct that B's overdraft was removed on or around 1 April 2024. But I think Lloyds was able to do this under the terms of the overdraft agreement. Whether Lloyds had technically revoked the overdraft and demanded repayment of the debt under the 2022 agreement, or under the new 2024 agreement, I think is immaterial. Both agreements say that the bank is entitled to withdraw the overdraft and demand repayment at any time without warning. Nevertheless, Mr R was aware of the removal of the overdraft. He was also talking with the bank about reinstating it or applying for a new overdraft up to 15 August 2024.

I appreciate Mr R would have liked more time for B to address the issue. And I understand his point is that B could probably have serviced the overdraft but couldn't deal with suddenly having it removed.

But I think B did benefit from forbearance from Lloyds. I'm satisfied that the bank has given B time and been in contact with B to try and find a solution. Indeed, the 2024 overdraft was discussed precisely with a view to providing B a way to manage its lending downwards. Furthermore, I can see that Lloyds declined a further application for a £20,000 overdraft in August 2024. In my view, B clearly wanted or required more lending than the bank felt it could support, so I think there were few other options left for the bank at this point.

I do recognise that it might have been helpful for Lloyds to have provided more clarity to Mr R about what it had done with B's overdraft. But, even if it had, I don't think that clarity

would have improved B's position. In other words, even accepting Mr R's comments about events during and after April 2024, I think B would likely have ended up in the situation that Lloyds, quite fairly, would no longer support lending to B through the overdraft. It follows that the difficulties this will have presented to B are not something I can fairly require Lloyds compensate B for.

The parties were still engaged in discussions in August 2024. But seeing that the account was overdrawn by over £26,000 by this point, with no payments made for months, and the last two overdraft applications deemed not viable, I think it was fair and reasonable for Lloyds to demand repayment of this debt at the end of August 2024. I understand that the account itself is now managed by Lloyds' recoveries department.

For all the reasons given above, I won't be requiring Lloyds to do anything differently here. I hope that the parties will now be able to come to an arrangement for repayment of the outstanding debt, and I remind Lloyds of its responsibility to treat B fairly in this regard.

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 B to accept or reject my decision before 10 February 2026.

Laura Colman
Ombudsman