

## **The complaint**

A limited company, which I'll refer to as C, complains that Federal Capital Limited ("FCL") has acted unfairly and aggressively in pursuing repayment of a loan.

C is represented by one of its directors, Mr B.

## **What happened**

In April 2025, C successfully applied for a £5,000 12 month loan with FCL via a broker.

On 2 May 2025, C failed to make its first repayment.

After several attempts to chase the payment, FCL terminated the agreement on 15 May and formally demanded repayment in full. In June, they instigated proceedings to wind up C.

On 2 June 2025, Mr B on behalf of C complained about FCL's handling of C's account, saying, amongst other things, that they had failed to take account of his disclosure of vulnerability due to mental health issues.

B did not uphold C's complaint and declined a repayment plan C offered.

C asked the Financial Ombudsman to look into what had happened. One of our investigators did so, but didn't consider FCL had made an error.

C asked for an ombudsman's decision. In summary, C said that it was willing to pay and had tried to engage with FCL, but that FCL had acted aggressively and unreasonably. Examples given of FCL's behaviour given included corresponding late at night and early in the morning, using a clear envelope for court documents and petitioning to wind up C, even though that would be unlikely to benefit them.

FCL's position is that Mr B has not been honest with them on several occasions and on several others, has not provided any evidence to support his statements. And although C has been in frequent contact, it has only made token payments of around £38 since the loan was drawn down some five months ago.

## **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 conclusion as our investigator, for essentially the same reasons. I am therefore not going to direct FCL to take any action.

First, I'm aware that Mr B has also made a complaint in his personal capacity as a guarantor for the loan. This is the subject of a separate referral to our service and I will not be dealing with it here, although there is inevitably some overlap.

My starting point has been to examine the loan agreement. This is a contract for unregulated

business lending. It is not a long document and sets out clearly that repayments are £574.75 a month starting one month after the date of the agreement. It also says that FCL has the right to terminate the agreement if the borrower fails to pay any repayment when due within five days of the due date. I consider it reasonable to expect companies to read and understand the contracts they sign and I also note in this case that Mr B is an appointed representative of a regulated firm, so I do not doubt his capacity to understand it.

I am therefore satisfied that FCL was entitled under this contract to terminate the agreement when C failed to make its first repayment. Having done so, FCL is also entitled to pursue recovery action, including petitioning for the winding up of C, if it so chooses.

I have then gone on to consider, notwithstanding the contractual position, whether FCL has acted fairly. I am conscious here that many lenders would allow a loan to go more than one payment in arrears before taking action.

Mr B's argument is essentially that he deserves more leeway. He admits that he was not transparent at the time C's first repayment fell due. But he says he has engaged actively with FCL since then. And he also says that there are extenuating circumstances for what has happened. These are the sudden illness of his wife, which he says occurred between drawdown and the first repayment falling due, and the corresponding decline in his mental health, due to the stress of caring responsibilities for his wife and four children. Given that C is a vehicle for Mr B's earnings, C was therefore suddenly unable to service its debts.

I think it's important to note here, that despite Mr B's argument hingeing on a sudden and unforeseeable change in circumstances, he has chosen not to provide any evidence of this change, despite numerous requests by FCL and despite our investigator concluding that FCL's request was reasonable. I appreciate that Mr B doesn't want to incur unnecessary costs, but given he is effectively asking FCL to accept a loss-making position on their loan, I consider their desire for evidence reasonable and proportionate.

I also note that Mr B has provided some of C's bank statements, which appear to show that C's earnings were considerably higher in the three months after taking the loan than in the three months before borrowing from FCL. So it is unclear why C's ability to afford its repayments was impacted after the loan was taken out. Again, I think it was reasonable for FCL to seek to understand this, particularly where C hasn't made any full repayments at all.

This is not a regulated consumer loan and it's important to understand that business borrowers do not benefit from all the protections in place for consumer borrowers. Nonetheless, it is still good practice to take into account the vulnerabilities of a director of a company borrower in my view, particularly when the vulnerable person is key to the business. I have therefore also considered whether FCL has acted fairly in the context of Mr B's vulnerability disclosure.

I can see that FCL signposted Mr B to some suitable organisations and also suggested a personal "breathing space", which Mr B used. FCL also agreed to put action to wind up C on hold for a period while the Financial Ombudsman were looking into his complaint – which also gave Mr B more time to consult with his accountant and debt charities. Finally, I can also see that FCL have recently made a counter-offer, although I understand Mr B has rejected it.

Taking into account all the circumstances, overall, my conclusion is that FCL have done as much as I would expect to support Mr B.

**My final decision**

For the reasons set out above, I do not require FCL to take any further action,

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 9 October 2025.

Louise Bardell  
**Ombudsman**