

## The complaint

Miss B, a sole trader, complains that Lloyds Bank PLC is unfairly holding her personally liable for a bounce back loan (“BBL”), which was used by her limited company.

### .What happened

Miss B operated a business as a sole trader and held a business current account with Lloyds since 2013.

In November 2020, Miss B successfully applied for a £50,000 BBL and the proceeds were paid into her sole trader account.

In March 2021, Miss B set up a limited company, which I’ll refer to as P. She subsequently switched to operating her business through P. She opened P a bank account and gradually transferred the BBL funds from the sole trader account in mid 2021.

In 2022, the BBL started getting into arrears and an overdraft built up on Miss B’s sole trader account. In early 2023, Miss B told the bank that she was in financial difficulties and couldn’t afford to repay the overdraft. She enquired several times about transferring the BBL to P but was informed this wouldn’t be possible.

Liquidators were appointed for P at the end of 2023. P was dissolved in 2025.

Miss B complained. She said that it was clear that it was P that had used the BBL funds and she had done everything she could to keep the business afloat and repay the BBL. She thought the remaining balance should be written off.

Lloyds did not uphold this complaint and Miss B asked the Financial Ombudsman to investigate. She pointed out that Lloyds would be repaid by the government guarantee.

One of our investigators looked into what had happened but did not recommend upholding the complaint, as she didn’t think the bank had made an error. Miss B disagreed and asked for an ombudsman to look into the matter.

### 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 Miss B, but I agree with our investigator that Lloyds hasn’t done anything wrong here. I appreciate this may seem unfair, when the BBL is guaranteed by the government, but in order to uphold this complaint, I would need to be satisfied that Lloyds ought to have transferred the loan from Miss B’s name to P’s.

Miss B doesn’t dispute that she applied for the BBL as a sole trader. I can also see that P did not come into existence until after the loan proceeds were received. The BBL scheme itself closed shortly after P was incorporated and, as P wasn’t trading as at 1 March 2020, one of the key eligibility criteria, P could never have been eligible for a BBL.

The fact that P wasn't eligible for a BBL means that it would never have been possible to transfer the loan from Miss B's name to P's, a process known as novation. The BBL scheme is administered by the British Business Bank ("BBB"), which has set out that novation can only be considered where the new borrower into whose name the loan is being transferred would have been eligible originally. I'm therefore satisfied that Lloyds could never have novated the loan, even if Miss B had asked them when P was first incorporated in 2021.

Miss B's comments in response to our investigator suggest she thought that the bank had in fact novated the loan in 2021, when she switched to operating through P. If this is the case, then the bank's records indicate she knew the BBL hadn't been switched by early 2023. But in any event, I don't think this makes any difference for the outcome of this complaint, since, as I've explained above, the bank could never have novated her BBL. This means that, even if Miss B had asked Lloyds to transfer it in 2021 (and I haven't seen evidence of this), the bank wouldn't have done so and she would be in the same position now.

I appreciate that the pandemic was a very unusual time and I can understand why Miss B feels she has done as much as she can. There is also no suggestion that she has acted other than in good faith. It's clear that the funds were used by the trading business in the manner envisaged by the BBL scheme and she has communicated honestly with the bank.

Because this is a government scheme, Lloyds does not have a free hand to write BBLs off if it so chooses. It must abide by the guidelines set out by the BBB, which include making attempts to recover the outstanding loan balance, even if the bank has been reimbursed under the government guarantee. I'm afraid my conclusion is therefore that the bank has acted fairly in continuing to hold Miss B liable and contact her about the debt.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 8 April 2026.

Louise Bardell  
**Ombudsman**