

The complaint

A limited company, which I'll refer to as 'R', is unhappy that Lloyds Bank PLC treated its Bounce Back Loan ("BBL") as being in arrears, defaulted the loan, closed its business account and transferred the debt to recoveries, when its director believes it had been making the required payments.

R's complaint is brought to this service by its director, whom I'll refer to as 'Mr B'.

What happened

R took out a BBL with Lloyds in 2020, with repayments due on the 24th of each month from July 2021 onwards. In early 2025, Lloyds closed R's business account and the management of the BBL was transferred to Lloyds' Recoveries team. Mr B complained to Lloyds because he didn't think the loan should have been treated as being in arrears or default. He said he had always ensured the account was funded on the day the payment was due, and he hadn't known that Lloyds required the funds to be available before a particular cut-off time. Mr B also said Lloyds' staff were rude when he called them to discuss the position, and he felt the closure of the account and the subsequent involvement of a debt collection agency ("DCA") caused him significant distress.

Lloyds responded to R's complaint in March 2025. They explained that several monthly repayments had been missed because there hadn't been enough funds available in the account when they attempted to collect them. Lloyds also said that they had written to R several times about the arrears and had issued a formal demand for repayment of the loan when the arrears persisted and no contact from R was received. Lloyds said that because of the accumulated arrears, they had correctly passed the account to their Recoveries team, and they didn't agree that their staff had been rude to Mr B.

Mr B wasn't satisfied with Lloyds' response, so he referred R's complaint to this service. He reiterated that he didn't think R had missed any payments and said the account shouldn't have been closed. Mr B also said he found Lloyds' communication unhelpful and disrespectful, and he wanted R's business account to be reinstated so that he could continue making loan repayments directly to Lloyds rather than through the DCA.

One of our investigators looked at this complaint. But they noted that several BBL payments had been missed by R and didn't feel that Lloyds had acted unfairly towards R in the manner Mr B suggested, including that they didn't feel that Lloyds staff had been rude to Mr B when speaking with him. Mr B didn't agree with the view put forward by our investigator, so the matter was escalated to an ombudsman for a final decision.

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.

The key issues in this case are whether Lloyds acted unfairly in treating R's BBL as being in arrears, issuing a formal demand, closing the business account and transferring the debt to

their Recoveries team. To answer that, I've considered the information provided by Mr B and looked at the loan repayment history, the bank's internal notes, and the correspondence issued before the default.

Having done so, I'm satisfied that the evidence shows that several loan repayments were missed or returned over a long period. Although Mr B says he funded the account on the day each instalment was due, the loan required cleared funds to be available when Lloyds attempted to take payment. On several occasions there weren't enough funds available at the time the payment was presented, and on some months no funds were provided at all to cover the instalment. I've also seen that, even when Mr B later paid money into the account, those payments didn't always cover the missed instalment for that month – for example because earlier arrears were still outstanding. Accordingly, I'm satisfied that R's BBL did fall into arrears.

By January 2025, the loan was in a position of multiple and prolonged arrears. That arrears position meant that the BBL account had met the criteria stipulated in the loan agreement as constituting an event of default under the loan terms. Because of this, I'm satisfied that Lloyds were fairly entitled to issue the formal demand that they did and to later transfer the account to their Recoveries team and default the loan.

I appreciate Mr B feels that some direct debit payments R made were not processed successfully by Lloyds when they should have been. But the reason the direct debit payments weren't successful was because of insufficient funds in the sending account. And if it were the case that Mr B funded the account after Lloyds had attempted the direct debit, R was still responsible for ensuring that the resultant arrears were cleared, which Mr B could have done by making the payment manually with the funds that remained untaken. However, because this didn't happen, the arrears continued to accrue.

Mr B says that he didn't receive the formal demand that Lloyds sent to R because he was overseas when it was issued. Lloyds had a obligation to send that letter to R's registered address, which they did, and there's no evidence it wasn't delivered. As such, if Mr B didn't receive that letter because he was overseas, that would understandably have been frustrating for Mr B, but it wouldn't mean Lloyds acted unfairly. It also must be remembered that the arrears that led to the default had built up over many months beforehand, and as the director of R, it was Mr B's responsibility to have monitored R's BBL and to have been aware of the position of the account, including any payments that hadn't been made and the resulting arrears.

I've also thought about the concerns Mr B raised about the service he received. I've listened to the calls in question and having done so I don't feel that Lloyds staff acted in a way that was rude or unreasonable. I appreciate that Mr B found the situation upsetting, but it doesn't necessarily follow from Mr B's distress that Lloyds' staff spoke to him rudely or that R was unfairly impacted. Instead, I feel that what happened was that Lloyds' staff gave Mr B information they reasonably should have given to him, but which Mr B unfortunately found upsetting.

Finally, Mr B has explained the personal impact that this situation has had on him. But this complaint has been correctly brought on behalf of R, which is a limited company, because the complaint arises from R's account. That means I can only consider the impact of any unfair action on R, the limited company, and not any personal distress experienced by Mr B. However, this point is largely moot, because I don't feel that Lloyds have acted unfairly here.

All of which means that I won't be upholding this complaint or instructing Lloyds to take any further or alternative action here. This is because I'm satisfied that R's account was in arrears and that Lloyds actions regarding those arrears were fair. I realise this won't be the

outcome Mr B was wanting, but I hope he will understand, given what I've explained, why I've made the final decision that I have.

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 R to accept or reject my decision before 5 May 2026.

Paul Cooper
Ombudsman