

The complaint

S, a trust, is unhappy with the way Lloyds Bank PLC has handled the expiration of a loan taken out by the trust.

What happened

S had a commercial loan agreement with Lloyds which was set to end on 23 December 2024. This loan was in three parts and this complaint concerns two parts – one part with a variable rate of interest, one with a fixed rate of interest. The third part had been repaid by the loan's expiration.

At the loans' expiry, around £1.2m was still outstanding and repayable by S. A payment of £673,582.60 was debited from S's account on 24 December 2024 which was taken in repayment of the fixed rate part of the loan. This caused the account to go overdrawn by £653,210.78 and prevented S's continued use of the account. This left it unable to pay any direct debit payments due from the account.

A final demand was sent in relation to the outstanding variable rate part of the loan and when this wasn't repaid it was passed to Lloyds' recoveries team.

S has told us:

- It had been in the process of arranging another loan since August 2024 and had kept Lloyds up to date with this process.
- On 17 December 2024 Lloyds told S that a formal demand would be issued on 24 December 2024 giving S 14 days to repay the debt in full from that point. So it wasn't expecting the payment taken on 24 December 2024 to leave the account and this prevented it from meeting its other obligations and continuing its usual operations. It says had it known it wouldn't have an additional 14 days it would've transferred the money out of its account and moved the direct debits to another account held in the trust's name.
- As it didn't have the opportunity to do this it had to arrange to move money from another linked account which was inconvenient and time consuming and caused a loss of interest.
- S tried to arrange the transfer of £20,000 back to the account temporarily to allow it to continue its financial operations. Whilst Lloyds initially indicated this would be possible, it was later uncooperative and refused to agree this.
- The account was passed to Lloyds' recoveries team on 6 February 2025 and S faced regular delays and obstructions in receiving the information required in order to arrange repayment.
- S believes Lloyds should pay £2,000 in compensation for the incorrect information provided, the delays, threatening correspondence and considerable inconvenience

caused.

Lloyds has said:

- On 17 December 2024 the relationship manager had explained the process relating to the variable portion of the loan, where a formal demand would be issued. However, this is not part of the process for the fixed rate loan which became immediately payable. It offered S £250 to acknowledge the inconvenience caused by not having been clearer about what payment would be taken upon the expiry of the loan.
- It had informed S from 12 December 2024 that it would not be renewing the loan and it had multiple discussions with S confirming it would need to arrange to settle the outstanding balance by the expiry.
- S advised at the inception of the loan that it would prefer to repay the outstanding amount in a lump-sum payment so Lloyds was following this instruction. Lloyds had also written to S on 22 November and 13 December 2023 to confirm the outstanding amount needed to be repaid in full at expiration date.
- The £673,582.60 repaid the fixed rate portion of the loans, and left £573,305.25 outstanding that needed to be repaid and also fell due on 23 December 2024 at the expiry. Formal demand letters were sent regarding this amount, and the overdraft and the account was correctly passed to Lloyds' recoveries team to arrange repayment. S had been given over a month to repay the amounts outstanding following the expiry of the loan which is more than Lloyds generally offers customers in this situation.
- Lloyds did consider extending £20,000 of S's borrowing but was ultimately unable to agree to this in line with its policies and risk appetite.
- S's account entered the recovery process on 30 January 2025 and S was contacted and put in touch with their account contact by 5 February 2025 in line with Lloyds' usual process. On 18 February 2025 S's solicitor contacted Lloyds for an updated redemption figure which was provided the same day along with details of how to make the repayment. S also requested further information regarding the loan balance and another account on 27 February 2025 all available information was provided the same day, and the rest of the information was provided five days later on 4 March 2025 as soon as it became available. So it didn't agree there had been unreasonable delays once the account was with its recoveries team. It also didn't think it had behaved unreasonably in its other communications with S.

I issued a provisional decision and said that:

The crux of S's complaint is that Lloyds hasn't treated it fairly in how it's recovered the outstanding amounts due under loan. Having considered the information available here, overall, I'm satisfied the £250 offered by Lloyds is fair and reasonable in this case.

S was told it would have an additional 14 days to repay part of the loan

The circumstances aren't in dispute here. S and Lloyds agree that S was effectively told that once the loan fell due on 23 December 2024, it would receive a formal demand giving it an additional 14 days to make the outstanding amount due of around £1.2m.

S doesn't believe this additional time would've allowed it to repay the loan, but it has said it intended to move money and direct debits due to a different account so it could continue its operations unimpeded.

Based on the evidence I've seen, like the investigator, I'm not persuaded it would've been possible to move the direct debits to a different account. The other account S was looking to use did not belong to the trust but belonged to the trustees. This means it belonged to a separate and distinct entity. So Lloyds wouldn't have been able to transfer the direct debits for S.

I appreciate Lloyds told S this would be possible, but it's clarified this is because the relationship manager wasn't aware the account was held by a separate legal entity they were under the impression the account names were simply different. So I'm satisfied the incorrect information provided by Lloyds didn't prevent S from moving the direct debit instructions in any event.

But, even if the direct debits could've been moved to a different account, the £250 Lloyds has offered is fair and reasonable compensation.

This situation has ultimately come about because S wasn't able to repay the loan by the agreed repayment date. And this situation wasn't due to Lloyds' actions. S had been aware of the date repayment of the loan was due since its inception. So whilst it may have chosen to wait until after the due to date to take any action, it was S's choice to do so.

In accepting the loan agreement, S agreed to repay it by a certain date. So I can't say it's unreasonable it didn't have more opportunity to remove money from the account to avoid repayment it had agreed to. I accept S was trying to arrange alternative finance and the length of time this was taken was difficult to predict. But Lloyds wasn't responsible for this or how S arranged its finances.

Lloyds could've been clearer in its communication. But as I've said, it wasn't responsible for S's inability to repay the borrowing when it fell due or its decision to wait until after the due date to try and make alternative arrangements to continue its financial operations. So it isn't reasonable to hold Lloyds responsible for all of the inconvenience S says it has suffered as a result of this.

Taking all of this into account, even if the direct debits could've been moved, overall, I'm satisfied the £250 Lloyds has offered is fair and reasonable.

Lloyds was unable to extend the borrowing of £20,000

S has explained that it requested £20,000 of the repayment due was given back to S for a short period to allow it to continue financial operations while arranging a loan with another business. Whilst S has described this as 'transferring back' £20,000, effectively it was asking to extend the term for part of its borrowing.

Lloyds is a commercial business, and it's entitled to set its own criteria and risk appetite for new or continued borrowing. I can see it considered this request and advised S it would require a new loan offer and confirmation of when completion was likely to take place which S was ultimately unable to provide as it appears it only had an agreement in principle at that time. So, Lloyds was unable to approve the further borrowing as its requirements were not met.

S has said this caused it further inconvenience and wasted its time. But I think it's reasonable to expect that in requesting to extend the term of borrowing S would have to engage with a lender and provide the information requested.

Lloyds wasn't obliged to agree with S's request. Because of this, I don't think it's responsible for S having to move money from other accounts to continue its operations or any interest it believes it lost as a result.

Delays and customer service

S has said there were delays once the account was moved to Lloyds' recoveries team on 5 February 2025, in particular around providing redemption figures and security release documentation. But I haven't seen sufficient evidence there were unreasonable delays in providing information to S or obstructions.

From Lloyds' records of the emails between S's solicitor and Lloyds, I've seen that every email was answered within a day with all information having been provided either the same day or the next. The only exception was statements for part of the loan which had to be re-ordered and posted, which took three working days for Lloyds to send. I don't think this timeframe was unreasonable.

I don't think S has been more specific about the delays it faced, but based on what I've seen I don't think Lloyds has caused any unnecessary delays or obstruction.

I also haven't seen any examples in the correspondence I've seen of Lloyds acting unreasonably or in a threatening manner. It's clear S was unhappy with some of the decisions Lloyds had made, but ultimately it acted in line with its agreement with S.

Lloyds accepted my provisional decision, S did not. In summary it said:

- My decision had focused on the repayment of the loan when the crux of the complaint was the misinformation S was given about when a proportion of it would fall due for repayment
- The request for £20,000 was not further borrowing, it was a request to release some of the funds Lloyds made unavailable
- Lloyds was aware refinancing was imminent because S had informed it of this and by passing the account to its recoveries teams unnecessarily in light of this it caused further inconvenience to S's operations
- Had S not been misled around when the debt was repayable it would've removed money from the Lloyds account so this couldn't be taken by Lloyds and would've allowed it to continue operations whilst waiting for refinance
- The £250 offered by Lloyds does not reflect the inconvenience this situation caused S

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.

I have considered S's comments carefully, but much of what it's said is information I'd already taken into account when reaching my provisional findings. Overall, I haven't departed from the findings reached in my provisional decision.

As I've said, it's not in dispute here that Lloyds provided misleading information to S which led S to believe it would have two weeks longer to repay part of the loan than it actually did. But Lloyds is not responsible for the fact S was still in the process of refinancing so close to the end of term and it was not responsible for the fact that S ultimately couldn't repay the loan by its expiry.

So it isn't entirely responsible for this situation even taking into account the misleading information provided. Because of this it wouldn't be fair to hold it solely liable for all the inconvenience S has said came as a result of this situation.

I accept that S doesn't see the request for the additional borrowing of £20,000 as such, but that's what it was. The original loan had expired, and S was asking to extend part of this borrowing for a short period. Lloyds was entitled to treat this request as such.

Whilst I accept S may well have informed S that refinancing was imminent, until this was approved and the relevant confirmation was received from the lender, Lloyds was entitled to proceed as it felt appropriate regarding the debt that had not been repaid when repayment had fallen due.

I understand this situation has caused S inconvenience, and I have agreed - and it's not in dispute - Lloyds could've been clearer in some of its communication with S. But for the reasons given in my provisional decision, overall, I'm satisfied the £250 offered is sufficient compensation for Lloyds' part in the inconvenience caused.

My final decision

I uphold this complaint in part. If it hasn't already, Lloyds Bank PLC should pay the £250 offered to S. I make no further award in this case. Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 9 April 2026.

Faye Brownhill
Ombudsman