

The complaint

Mr G complains that Lloyds Bank PLC unfairly defaulted his loan.

What happened

In January 2025, Mr G contacted the bank to explain he was experiencing financial difficulties. Lloyds agreed to some supportive forbearance measures in the months that followed but, ultimately, the loan defaulted in September 2025.

Mr G was unhappy with how Lloyds dealt with his circumstances, and he thought staff hadn't been honest with him; broadly, Mr G said he was under the impression his loan wouldn't be closed and defaulted. So, he complained. In response, Lloyds largely defended its actions and said it had reasonably decided to default Mr G's loan. Although, it did accept that it had made an administrative error in wrongly offering Mr G a second 30-day hold period when it should, at that point, have realised his situation was unlikely to improve. Lloyds paid Mr G £70 compensation in recognition of the error.

Mr G, though, remained unhappy and he referred his complaint to this Service for an independent review. An Investigator here looked at what had happened; having done so, they didn't think Mr G's complaint should be upheld – and they thought Lloyds had done enough to recognise the administrative mistake it made. In summary, the Investigator said:

- Lloyds had taken several measures to support Mr G; it had implemented a 30-day hold period – allowing for breathing space – and it had then arranged a “zero”, or “nil”, repayment plan where payments weren't expected for three months.
- Such measures had been in place until August 2025, when Mr G had contacted the bank again to let it know his circumstances hadn't changed. A further 30-day hold was offered at that point which, in hindsight, shouldn't have been. In any event, that hold wasn't applied and it would've been unlikely to make a difference to what ultimately happened.
- Lloyds had made a reasonable offer of compensation to recognise any confusion and inconvenience caused.
- Overall, Lloyds had tried to work with Mr G but – despite all efforts – he hadn't been able to meet repayments or show that he was likely able to meet them in future. So, in such circumstances, it wasn't unreasonable of Lloyds to decide to default his loan when it did.

Mr G disagreed. He said he'd done everything he could've been expected to do in trying to engage with Lloyds openly and honestly about his situation. He said it was Lloyds who stopped payments towards the loan, and that if he'd been issued with demands for payment he'd have done so. Mr G also said he had wanted to extend the loan term, not stop payments altogether, which the bank didn't agree with.

Our Investigator reconsidered, but they didn't change their mind. They said Lloyds had appropriately responded to Mr G's requests for assistance, and that it didn't need to take any further action.

Mr G asked for an Ombudsman's decision. So, as no agreement has been reached, his 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.

At the outset, I'll be clear that I have read and considered all that Mr G – and Lloyds – have said and provided, but I haven't commented on each and every point. Instead, I've focussed on what I deem to be the crux of the matter and I've been concise here. Fundamentally, our role is to be an informal service; I don't intend any discourtesy in my approach, it's simply to align with that purpose.

I can see this matter means a great deal to Mr G; that's entirely understandable, and I know he's unhappy about the effect of significant adverse information on his credit file. Given the impact of a default, it's important Lloyds takes such action fairly and proportionately – and in these circumstances, while this'll be disappointing for Mr G, I think it did.

Generally speaking, I'd consider both parties here to have acted as they broadly should. Mr G was proactive in reaching out to Lloyds for support – which is just what he should do in times of difficulty – and Lloyds, in return, listened and was willing to implement measures which might help alleviate some pressure.

That said, Lloyds isn't *obligated* to agree to any specific demands or requests Mr G might make – and it doesn't have to allow any forbearance measure which it does agree to implement, like repayment plans, for example, to perpetually continue. In fact, in some cases, doing so might cause more harm to a customer. For instance, if there's no real prospect of a customer's circumstances changing for the better, or any tangible indication that arrears can be repaid, or contractual payments maintained, then a default might be the most appropriate course of action. Providing, of course, an account is in a state whereby the conditions are met for a default to be legitimately applied.

I think, in the round, that's what happened here. Lloyds tried various measures to support Mr G; Mr G, on the other hand, generally told Lloyds that his circumstances hadn't – and wouldn't likely soon – improve. So, on that basis, given the loan was several months in arrears, with no tangible prospect of being brought back to order, Lloyds terminated the loan agreement and defaulted it. I don't think that's inherently unreasonable.

Mr G argues that he'd have made payment if Lloyds had told him he needed to, and I'm sure he had every intention of repaying his debt. But from what I have available, it seems he held several conversations with Lloyds which suggested ongoing financial difficulty and a struggle to meet repayments. His call with the bank in August 2025 revealed much the same narrative.

Now, it's fair to say that Lloyds did cause some confusion; it's acknowledged that it shouldn't have offered a further 30-day hold during that August call. That said, while clearly inconvenient, and no doubt frustrating, I don't think Lloyds' mistake there makes a material difference to the outcome. There's nothing I have available which persuades me a further hold would've done anything to address the situation. Rather, in the circumstances at the time, given the level of arrears, the forbearance measures already offered, Mr G's testimony to Lloyds and the very likely prospect of continued difficulty, I'd agree with Lloyds'

retrospective view that a further hold wasn't appropriate.

That doesn't absolve the bank of an error, though. It shouldn't have told Mr G a further hold would be applied, only to not do so and write to him a few days later with a demand to contact it and make payment. I can understand why Mr G would've been confused by that. But for the reasons I've set out above, I'll reiterate that I don't think this error makes a material difference. Fundamentally, there's nothing to persuade me that Mr G's situation wouldn't have been just the same 30-days after that call in August, or that he'd have been able to service the substantial arrears. Eventually then, on balance, I think it's *most likely* that Mr G's loan would've followed the same path. I noted that Lloyds paid Mr G £70 in compensation for the administrative error, and in all the circumstances I think that's both a fair and reasonable amount; so, I won't be directing Lloyds to do anything further regarding its mistake.

Overall, and in closing, while I empathise with Mr G here, it's for the reasons I've explained that I don't think Lloyds acted unfairly or unreasonably when it defaulted his loan account. I also consider the bank to have appropriately compensated Mr G for its administrative error. So, I don't require Lloyds to take any further action, and it follows that I don't uphold this complaint.

My final decision

My final decision is that I don't uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 7 May 2026.

Simon Louth
Ombudsman