

complaint

Miss P and Mr T, who trade as a partnership, complain that Lloyds Bank PLC misled them about a business loan. They didn't know it was interest only. They ask that payments are refunded and the loan restructured.

background

Miss P and Mr T took out a 3 year loan in mid 2012. They used the money to repay other loans. They expected the loan to be repaid by mid 2015 and were upset when Lloyds continued to take payments and said the loan was interest only. Miss P says the loan agreement is unclear and Lloyds didn't send them any statements. Lloyds was threatening and unhelpful when she contacted it in September 2015 about the loan. It said it wouldn't take payments from their account while the complaint was looked into. Then it took a further payment, making the account overdrawn.

The adjudicator didn't recommend that the complaint should be upheld. She said the loan agreement says it's an interest only loan. Miss P and Mr T could have checked payments in their bank statements or the loan yearly statements. Their accountant would have seen that the loan balance didn't reduce. Miss P and Mr T benefitted from use of the money and the lower monthly payments. Lloyds had offered them a repayment loan with no arrangement fees and zero interest. The adjudicator said this was fair.

Miss P and Mr T didn't agree. They thought they'd agreed to a repayment loan and didn't notice the monthly payments were lower than expected. They were out of the country on the dates Lloyds says it met with them about the loan. Miss P says the loan agreement doesn't comply with the Consumer Credit Act 1974 as it doesn't set out the dates and amounts of payments or how they're made up. Lloyds also closed their current account, making it difficult to trade.

Miss P and Mr T say they haven't been treated fairly. They expected this loan to be repaid to allow them to take out a new loan to expand their business. They've lost money spent on the new business.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The loan agreement says Miss P and Mr T must pay monthly instalments of interest with a final payment of the balance. It says interest will be calculated at a variable interest rate. I think it's clear that monthly payments are of interest only.

Miss P says they agreed to a repayment loan with monthly repayments of about £400. But the monthly payments from their account were only about £100. I'd expect Miss P and Mr T to notice the payments were lower than they'd expected when they received their bank statements. Lloyds also sent annual statements which showed the balance of the loan didn't reduce.

Direct debit payments were set up for interest only payments and Lloyds' internal notes refer to the loan being interest only. This is consistent with the loan agreement. I think it's unlikely Lloyds deliberately misled Miss P and Mr T about the loan being on a repayment basis.

Miss P and Mr T haven't received all letters and notices sent to them by Lloyds. While I understand this caused further upset, I don't think this was due to an error by Lloyds. The letters and notices were correctly addressed.

Lloyds accepts it could have contacted Miss P and Mr T sooner about repayment of the loan. It apologised for its poor service. It paid £24 for the cost of phone calls and £150 for the trouble and upset caused by its poor service. It offered another £50 for poor service. Miss P and Mr T had the benefit of the loan money and the lower monthly payments. I don't think it's reasonable to require Lloyds to refund the interest payments made since mid 2012. I think Lloyds' offer to allow repayment with zero interest and no arrangement fee is fair and reasonable in the circumstances.

Miss P and Mr T have had problems with their business account being closed. They will first need to raise a complaint about this with Lloyds. Miss P says the loan agreement doesn't meet the terms of the Consumer Credit Act 1974, so Lloyds had no right to take any payments. Whether an agreement is enforceable is something only a court can decide.

my final decision

My decision is that I do not uphold this complaint as I find the steps taken and compensation offered by Lloyds Bank PLC fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss P and Mr T to accept or reject my decision before 11 April 2016.

Ruth Stevenson
ombudsman