

## **complaint**

J, a limited company, complains that Lloyds Bank PLC told it that it should take an invoice finance facility (IFF) rather than business borrowing.

## **background**

The director of J says that Lloyds didn't want to increase its borrowing facility on overdraft. She was referred to its commercial finance team and offered IFF and a debt protection facility. J entered into these agreements and was unhappy with the manner in which its clients had been contacted directly about outstanding debts and about the charges involved. It cancelled the agreement and then took additional borrowing with Lloyds Bank.

Our investigator did not recommend that the complaint be upheld. She had explained to J that IFF was not a regulated activity so we could not look at the service and processes involved. But we could consider whether the product had been 'mis-sold' by Lloyds Bank. J accepted this.

Our investigator said that it was a matter for Lloyds to decide whether to offer J borrowing facilities or not. The application form for the IFF and debt protection was comprehensive and included consideration of suitability and affordability. The agreement set out the terms and conditions of IFF. J said that this was the only option but she considered that it was able to make a decision about this. The debt protection was an optional product which J decided to take. Lloyds' initial response to the complaint was brief but it expanded on this in a further letter. J was later able to access higher borrowing from Lloyds.

J did not agree. It said that we had not looked at things fairly or reasonably and the complaint was not properly addressed by Lloyds Bank. Due process had not been adhered to and this had a huge impact on its clients and one was lost as a result. The product sold did not operate as promised.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As our investigator has set out the issue we can consider in this complaint is narrow and is about the referral of J for IFF. Whether that product operated as it should and the subsequent service issues are as explained by the investigator and agreed with J not things that we can look at. Complaint handling is also not a separate regulated activity and I agree with what our investigator's said about Lloyds' response here especially in light of my findings below.

I've looked at what was noted about the suitability of the product and formed the basis for Lloyds Bank referring it to J. This was that J was expanding but that debtor payments had increasing terms. J was said not to want to arrange for the director to give more personal security – there already being a limited personal guarantee and a second charge against a residential property given by her. The purpose of the facility was to ensure that J could continue to fund works and pay its creditors and employees.

I've not seen direct evidence that an increased overdraft facility was turned down first by Lloyds Bank. It may be from what was noted that the terms of that were not acceptable then

to J and that's why it signed up for the IFF in March 2017. But I agree with what our investigator has said which is that Lloyds Bank had the commercial discretion to decide whether or not to provide additional borrowing and the related terms.

I can't see that the referral by Lloyds Bank for IFF was inappropriate or that it could have anticipated the effects on J's clients. And I've seen that the commercial finance company then went through its normal process. All the terms were made available to J including the costs. And J decided whether or not to take the debt protection. It seems that agreement was reached in May 2017 that there would be no direct contact with J's clients and I see this as a service issue not fundamental to any recommendation for this type of product by Lloyds Bank.

J stopped using this in October 2017. It took a significantly higher overdraft and the Lloyds' case notes record that additional security was then taken.

I understand that J felt that IFF did not meet its needs and stopped using it. For the reasons I've given I don't find Lloyds Bank ought not to have referred J for this product or that it acted unreasonably in dealing with J's business borrowing.

#### **my final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 28 February 2020.

Michael Crewe  
**ombudsman**