

complaint

Mr D, Mrs E and Miss F have raised a complaint in their capacity as the partners of a business, which I shall call W. They complain that Lloyds Bank Plc (“Lloyds”) provided too much money when W applied for a loan and, when it later had difficulty making repayments, didn’t do enough to help it repay the debt.

background

In 2007 the partners of W sought a loan so they could buy a business. They have said that they were initially offered a loan of £45,000 before later signing a loan agreement for around £56,000. In August 2008 Lloyds provided them with £62,000.

Although Mr D has said Lloyds shouldn’t have provided the additional funds to W, he acknowledges that were used for business purposes.

W went on to suffer a downturn in trade and this was linked to a number of factors. The parties are aware of the events which took place so I will not recount them here in full. The result was that W wasn’t in a position to make the necessary repayments to Lloyds and had to ask for assistance.

Mr D says W wanted some breathing space but Lloyds insisted that its’ debts be consolidated into a new loan. This was provided by another lender which forms part of the same banking group as Lloyds in this case.

One of our adjudicators considered the complaint and concluded that Lloyds hadn’t acted incorrectly, and he didn’t uphold the complaint. In summary, he said:-

- he hadn’t seen any evidence that the original lending was unaffordable;
- W had made use of the funds;
- when Lloyds was originally aware of the trading difficulties Mr D was able to persuade it that he could turn the business around, and the loan repayments were being made at the time; and
- when it became clear that more assistance was required Lloyds decided to arrange for the debts to be re-financed. This reduced the monthly repayments, which is in line with Lloyds’s obligations.

Mr D didn’t agree. He said Lloyds should never have provided the additional funds to W and that it should have offered more assistance when W was having difficulty repaying the loan. The complaint was referred to an ombudsman for review.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Due to the amount of time that has passed since W first applied for the loan, Lloyds doesn’t have complete records. The account it held with Lloyds is also now closed, making it less likely that it would retain information about W and the partners. In not being able to provide complete records, I don’t think Lloyds has acted inappropriately.

Turning to the amount of funds that were provided to W, Lloyds has no records from the time. However, Mr D has told us that the additional money was needed for business purposes, such as paying rent, so although it's possible the partners borrowed more money than W was initially worth the funds were needed not only to purchase the business but also to allow it to trade.

There's no indication that W wasn't able to make repayments at the time the loan was taken out, so I don't think Lloyds was wrong to let the partners borrow the money they needed to purchase their business and to start trading.

In relation to the financial position subsequently W found itself in, whilst I have sympathy for the difficult position in which the partners found themselves I must consider whether Lloyds complied with its obligations. When a customer is in financial difficulties, a bank is expected to act in a positive and sympathetic manner. By this I mean it should take into account the position of its customer and determine what action, if any, is appropriate to help it repay the debt owed.

Limited information about the discussions held between the partners and their relationship manager (RM) at Lloyds is available, but I can see that conversations were being held at least as early as 2010. The RM clearly had some concerns about the future ability of W to repay its debt. Some payments from W's current account appear to have been returned due to lack of available funds but this doesn't necessarily prove W was in financial difficulties. Instead, when the RM asked about how trade had been Mr D was able to persuade him that W had made a net profit in the previous year, that a plan was in place, and he was seeking other sources of funding.

I believe Lloyds did take W's position seriously but, as a course of action could be agreed and the debts owed were being serviced, it didn't have to take additional steps beyond its agreement to continue to provide an overdraft.

In 2011 it became apparent to Lloyds that more had to be done. Whilst Mr D wanted time to work out a solution and make the necessary payments I don't agree this is something Lloyds had to offer. Instead it was able to present a proposal that reduced the monthly payments W had to make, and although this involved another company in the same banking group providing a mortgage, I don't believe it acted unfairly.

For all of these reasons I don't think Lloyds acted wrongly, and I'm not able to uphold the complaint.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr D, Mrs E and Miss F on behalf of W, to accept or reject my decision before 16 March 2015.

Ashley L B More
ombudsman