

complaint

Mr K and Mr J complain that Lloyds Bank plc (previously Lloyds TSB Bank plc) did not treat them fairly when their business had financial difficulties.

background

Mr K and Mr J had two loans with Lloyds secured on commercial property. In early 2012 they had difficulty making payments and at the end of 2012 Lloyds transferred the accounts to its recoveries department. Mr K and Mr J say Lloyds:

- Told them their only option was to refinance the loans at a higher interest rate they could not afford.
- Told them there would be more options available if the account was passed to recoveries, but this was not the case. They say the recoveries department were only interested in repayment of the debt. If they had known this they would have paid off part of the debt instead of it being transferred to recoveries.
- Refused their suggestions, such as an interest only period or a lump sum payment to reduce the borrowing.
- Applied their monthly payments to one loan, meaning there were arrears on the other loan. They say had the loans been properly administered there would not be any arrears.
- Threatened to repossess the property, even though they were making the agreed monthly payments.

The adjudicator did not recommend that the complaint should be upheld. He said while Lloyds had to act in a positive and sympathetic manner when a customer has difficulties making payments it does not have to accept proposals that it is not satisfied with. The adjudicator said there was nothing to suggest that Lloyds did not properly exercise its commercial discretion when deciding the terms of the refinance loan. As the loan it was prepared to offer was not affordable for Mr K and Mr J, the account was transferred to recoveries.

The adjudicator said Lloyds had behaved reasonably. It accepted reduced payments on a temporary basis to allow Mr K and Mr J time to raise the funds needed to repay the debt. Had Mr K or Mr J had funds available, they could have reduced the debt at any time. Once the accounts were transferred to recoveries they were treated as a single loan, so the monthly payments had been applied correctly. As Lloyds had sent a final demand for the debt, its rejection of Mr K and Mr J's proposal to repay the debt over a number of years was not unreasonable.

Mr K and Mr J did not agree. They remain unhappy with the way they were treated by Lloyds.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory (as some of it is here), 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.

I am satisfied that Mr K and Mr J's loan accounts were in arrears. I am also satisfied that Lloyds discussed the arrears with Mr K and Mr J and made them aware that the account would be transferred to its recoveries department. As the accounts were in arrears and there was no agreement to clear the arrears, I do not consider that Lloyds acted unreasonably in transferring the accounts to recoveries.

Lloyds sent a letter of concern and an enforcement notice to Mr K and Mr J before the account was transferred to recoveries, meaning the full amount of the loans is due and payable. I am satisfied that Lloyds considered Mr K and Mr J's proposals for repayment of the loans. While I appreciate that Mr K and Mr J are disappointed that Lloyds did not accept their proposals, I am not persuaded it acted unreasonably.

While Mr K and Mr J say payments to the loan accounts have not been administered properly, the evidence does not support this.

Lloyds put enforcement action on hold while Mr K and Mr J's complaint was dealt with. It also allowed them time to organise a sale of the properties or refinance the loans and accepted reduced loan payments for a period. I can understand that Mr K and Mr J would like more time to repay the loans. However, as the loans are due and payable, I consider Lloyds is entitled to ask for repayment and to enforce the related security.

my final decision

My decision is that I do not uphold this complaint.

Ruth Stevenson
ombudsman