

complaint

D, a limited company, complains that Lloyds Bank plc forced it to take out a loan to repay a sole trader debt, before it would agree to provide a new loan.

background

D applied to Lloyds for a loan in 2010. It says that it was given agreement in principle. However, before the loan was formally approved, D says that it was required to repay a debt for a sole trader account, which Lloyds considered was linked to the limited company. D says that it was wrongly pressurised into doing this.

The adjudicator did not recommend that this complaint should be upheld. She concluded that Lloyds was entitled to exercise its commercial judgement in deciding whether or not to agree to provide the loan and there were sufficient links between the limited and sole trader businesses.

D responded to say, in summary, that Lloyds abused its position by insisting that the debt was repaid at such a late stage in its loan application meaning it had little option but to agree.

my findings

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

In early June 2010 D applied for an EFG loan to provide it with working capital. Lloyds asked that D provide it with financial information to enable it to put the application to its credit team. Having done this, it says that it then had a meeting with Lloyds where it expected to be told that the loan had been agreed. Instead, Lloyds led D to believe that unless it was prepared to repay the associated sole trader debt, its application would be declined.

I have carefully reviewed the circumstances surrounding the request for the EFG loan and the outstanding sole trader debt. I consider that there were sufficient links between D and the sole trader account for Lloyds to assess the risks jointly. The director of D was also a signatory on the sole trader account and during the application process Lloyds had received notice of the bankruptcy of the sole trader. A lender is entitled to decide for itself whether or not to lend and, if so, on what terms. This is the legitimate exercise of its commercial judgement, with which I cannot properly interfere.

I do understand that D considers that the repayment of the sole trader debt should have been raised when it first requested the loan. However, I find that about three weeks after D's initial loan request it was asked for, and agreed to, a take a loan in order to repay the debt owed by the sole trader business. The application for both loans was then put to the bank's credit team. It was a further month before the loan documents were completed so I am not persuaded that D was pressurised into agreeing to do this. I am also satisfied that D was aware that any request for borrowing would be assessed by the bank's credit team and so there was no guarantee that the EFG loan would be agreed. I consider that it was for D to decide whether or not to accept Lloyds' terms and conditions.

my final decision

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

Karen Wharton
ombudsman