complaint

Mr K and Miss L complain about the way in which Lloyds Bank plc (formerly Lloyds TSB Bank plc) handled the debts of a company with which they were involved.

background

Mr K and Miss L had a limited company which banked with Lloyds. Some years ago they gave a joint guarantee for its debts to the bank – in effect, its overdraft.

About six months after they gave the guarantee Mr K told the bank that he was considering going into partnership with another business; he asked if the company's accounts (and its debt) could be transferred to his own name. At about the same time Mr K says the company ceased trading – although in the event it remained in existence for nearly two years after that.

Discussions continued with the bank, but no arrangements were finalised. Mr K blames the bank.

When the company was finally dissolved the bank sought repayment of its overdraft from Mr K and Miss L. They say, in summary, that the bank should have been more receptive to repayment negotiations than it was. They also complain about the way the bank handled the proposed transfer of the debt from the company.

One of our adjudicators considered the matter. She thought that the bank could have been clearer in explaining that it was willing to discuss the debt and the repayment of it. She considered that a fair resolution was to re-work the debt as if interest had been added at 3% above base rate, rather than at its standard default rate. The bank agreed and offered to settle the matter on that basis; Mr K and Miss L however did not think that went far enough. I have therefore reviewed the matter.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Having done so, however, I agree that the bank's offer is fair.

Many of Mr K's and Miss L's concerns centre around the way the bank treated the company.

But the company cannot bring a complaint to us, because it no longer exists – it was dissolved more than three years ago. I can only look at Mr K's and Miss L's complaint to the extent that it is about the bank's treatment of them as guarantors.

There is no real dispute about the guarantee – in the sense that Mr K and Miss L appear to accept that, once the company stopped trading, they would have to repay its debts. Either Mr K would transfer them to a new account or they would have to pay under the guarantee. I note that, while the company may have stopped trading some five years ago, its accounts remained active (to some extent at least) for nearly two years after that.

The adjudicator took the view that the way the bank handled matters after the company was dissolved meant that the guarantee debt increased. She felt that the bank gave the impression that it would not discuss the debt further – it should have made it clear that it would discuss repayment terms, even if it would not discuss any further the complaint Mr K

had made about its actions towards him and the company. But she also thought that a reduction in the interest applied to the debt was a fair resolution.

Having considered the matter carefully, I agree with the adjudicator. Whilst I can understand (in particular) Mr K's frustration, I think it is clear that the overall position would have been much the same, whatever the bank had done. I believe that the bank's offer to adjust the interest rate on the outstanding debt is fair.

I would of course remind the bank that its duty to treat cases of financial difficulty positively and sympathetically is an ongoing one. It should have this in mind when considering any repayment proposals.

my final decision

My final decision is that, to resolve this matter, Lloyds Bank plc should adjust the interest applied on Mr K's and Miss L's debt under their guarantee as if the yearly rate had been the Bank of England base rate plus 3%, rather than its standard default rate. The adjustment should have effect from 12 July 2012.

Michael Ingram
ombudsman