complaint

Mr and Mrs A complain that Lloyds Bank plc is wrongly asking them to repay a debt for their limited company which is now dissolved.

background

Mr and Mrs A bought a business in 2005 and asked Lloyds for a loan. The bank refused to lend to them as they couldn't provide it with enough financial information about the new business that they were buying. Lloyds did agree to open a business current account without an overdraft. This was opened as a partnership account in the name of Mr and Mrs A on behalf of their company, as was a second business account in August 2008.

Mr and Mrs A say that during this time, they formed a limited company to run the business. In September 2008 they took out a business loan with Lloyds for £14,200. The loan was made to the partnership but Mr and Mrs A thought it was being made to the limited company. Their business ran into financial difficulties and the limited company was dissolved in 2009.

Mr and Mrs A complained to Lloyds when the bank asked them to repay their outstanding debt. They thought that the debt was owed by the dissolved limited company and not by them. The debt is now in the hands of external debt collectors.

Our adjudicator found that Lloyds was entitled to ask Mr and Mrs A to repay the debt. They disagree and continue to say that the money should have been lent to the limited company, not them personally.

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 contradictory or incomplete, as some of it is here, I reach my decision on a balance of probabilities – that is, what I consider is most likely to have happened in the light of the evidence that is available and the wider surrounding circumstances.

There is no dispute that Lloyds lent the money. It is unfortunate that the bank's records are very limited. But I don't think this is unusual or unreasonable. Lloyds isn't required to keep records indefinitely and the events in question happened some years ago. The bank has provided copies of the loan agreement and bank statements for the current accounts. I can see that none of these are in the name of a limited company.

Mr and Mrs A say that when they were applying for the loan, they told Lloyds that they had formed a limited company. But when lending to a limited company, it is common practice for a bank to ask the company's directors to give a personal guarantee to support any borrowing. This means that Mr and Mrs A would have still have been liable for the company's debt to the bank after it was dissolved. I can find nothing to indicate that they gave personal guarantees. I think it is more likely than not that Lloyds was unaware that Mr and Mrs A wanted the loan to be made to the limited company.

I find that Lloyds was allowed to lend to the partnership, but even if the loan should have been made to the limited company, the bank would have taken personal guarantees from Mr and Mrs A and they would still owe the money in either instance. While I realise my

decision will come as a disappointment to Mr and Mrs A, I see no real reason why Lloyds or its debt collectors aren't entitled to ask them to repay the money.

I would remind Lloyds that it should treat Mr and Mrs A positively and sympathetically if they're in financial difficulty.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs A to accept or reject my decision before 20 February 2015.

John Miles
ombudsman