

complaint

Mr T complains that Lloyds Bank plc held him liable for a loan that was taken out after he left the partnership that applied for it.

background

Mr T was a partner in a business that took out a loan for £17,000 in 2004. Mr T retired from the partnership in May 2005. In March 2007, the partnership applied for a new loan without Mr T's knowledge. In 2008 Mr T was contacted by Lloyds because the business had stopped trading and he was told he was liable for the partnership's debts. Mr T agreed to take out a £15,000 personal loan to clear his half of the debt. But, in 2014, he found out about the 2007 loan and told Lloyds he was not liable for that as he was not a partner at the time. He wants his personal loan, interest and costs refunded. Lloyds said it hadn't been notified of Mr T's retirement and that the existing partner was entitled to take out the loan without Mr T's knowledge.

Our adjudicator didn't recommend that the complaint should be upheld. She was not satisfied that Lloyds had received information about Mr T's retirement before the 2007 loan was taken out. She also found that Lloyds was entitled to approve the loan without requiring Mr T's signature.

Mr T responded to say, in summary, that:

- if Lloyds thought he was still a partner, it would have invited him to the meeting about closing the business
- Lloyds never provided the paperwork he requested when agreeing to the personal loan
- his partner should have been pursued for the debt too
- Lloyds must have received notification of his resignation because it changed the address on bank statements.

my findings

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

I have seen the relevant paperwork and it is clear that Mr T resigned from the partnership in May 2005 and Lloyds agree to the loan in 2007 without Mr T's agreement. The new loan was to pay off the 2004 loan and to buy a vehicle. I need to consider whether Lloyds did anything wrong by agreeing to the 2007 loan without Mr T's knowledge and whether the bank was right to include this loan as part of Mr T's liability.

Although I am satisfied that Mr T resigned from the partnership in 2005, I must consider at what point Lloyds was made aware of this. Mr T's legal representative said his 2006 tax return and a letter from the HMRC were sent to Lloyds in July 2008. I have also seen the bank statements and, although I accept the address was changed between the 2005 and 2006 statements, Mr T continued to be named on the account up until the business ceased trading. As Lloyds' customer contact notes show no evidence that it was notified of Mr T's resignation prior to July 2008, I don't think it was unreasonable that it continued to operate the partnership accounts on the basis that he was still a partner.

That said, I must also consider whether Lloyds made a mistake when it agreed to the new loan in 2007, without Mr T's knowledge or consent. I have seen the Partnership Authority conditions and the relevant clause says "*each of the partners named in the Application Form...has individual authority without any restriction to authorise any transaction. Therefore each of those partners will be able, for example, to withdraw any money in any of the Partnership accounts or set up an overdraft (which may be without the knowledge of the other partners).*" On that basis I cannot conclude that Lloyds was wrong to approve the loan without Mr T's knowledge.

Finally, I have considered whether Lloyds acted fairly and reasonably by asking Mr T to pay off £15,000 of the Partnership's liability. Lloyds says it accepted the £15,000 from Mr T in full and final settlement of his share of the partnership debt. I have seen the total debt at the time the partnership closed and I am satisfied it was just over £30,000. The condition regarding account termination says "*Each partner...will be jointly and severally liable for all liabilities of whatever nature of the Partnership to us together with interest, fees and charges. Therefore each partner is separately responsible to us for all debts and liabilities of the Partnership and not just a share of them.*" As Lloyds could have pursued Mr T for the entire partnership debt, I find that it acted fairly and reasonably by agreeing to accept 50% of the debt in full and final settlement of Mr T's liability.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr T to accept or reject my decision before 20 August 2015.

Amanda Williams
ombudsman