

The complaint

Mr P1 and Mr P2 are unhappy that Lloyds Bank PLC wouldn't remove them from a Bounce Back Loan ("BBL") so that they were no longer considered liable for the loan.

What happened

Mr P1 and Mr P2 were signatories on a Lloyds business account along with one other person, whom I'll refer to as 'Mr X'. Collectively, I'll refer to Mr P1 and Mr P2 and Mr X as 'the partnership'.

In May 2020, the partnership successfully applied to Lloyds for a BBL of £9,000, and they received the loan funds that same month.

In April 2023, Mr P1 and Mr P2 approached Lloyds and asked to be taken off the partnership's accounts, including the BBL, leaving Mr X as the sole signatory who would then be fully liable for the continuing repayment of the BBL.

Mr P1 and Mr P2 say that they were told by Lloyds that it wasn't possible to remove them from the partnership's accounts, but that it would be possible to set up a sole account for Mr X and transfer liability for the BBL to that newly opened sole account – a process known as 'novation'. However, Lloyds later changed its position, and said that novation wouldn't be possible. Mr P1 and Mr P2 weren't happy about this, and so raised a complaint.

Lloyds responded to Mr P1 and Mr P2 and said they should never have been told that novation would be possible, because it had never been the case that it would have been possible when they asked about it in April 2023.

Lloyds apologised to Mr P1 and Mr P2 if they had been given incorrect information about the possibility of novation, and they made a payment of £40 to Mr P1 and Mr P2 as compensation for any trouble or upset they may have incurred. Mr P1 and Mr P2 weren't satisfied with Lloyds' response, so they referred their complaint to this service.

One of our investigators looked at this complaint. But they felt the response Lloyds issued to Mr P1 and Mr P2 already represented a fair outcome. Mr P1 and Mr P2 remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr P1 and Mr P2 have said they were told by Lloyds that novation would be possible, and that this would result in Mr X being considered solely liable for the BBL moving forwards. And Mr P1 and Mr P2 have also said that because Lloyds told them that novation would be possible, they feel Lloyds should honour that statement and allow novation to take place.

Where a business has made a mistake, such as by providing incorrect information to a customer or customers, this service would generally seek to restore the affected customer or

customers to the position that they should be in, had the mistake never occurred.

In this instance, what should have happened is that Mr P1 and Mr P2 should never have been told by Lloyds that novation was possible. Instead, they should have been told that it wasn't possible for novation to take place, meaning that they would be unable to absolve themselves of their liability for the BBL.

The reason that Mr P1 and Mr P2 should never have been told that novation would be possible is the British Business Bank ("BBB"), which oversaw the BBL scheme, didn't permit novation on BBLs for the period February 2021 through October 2023. This meant that when Mr P1 and Mr P2 enquired about novation in April 2023, novation wasn't permitted on any BBL at that time, as per the BBB.

This means that the outcome that should have taken place here, if no mistake had been made, is that novation did not take place. And the mistake that Lloyds made wasn't that they didn't allow novation to happen, but that they incorrectly told Mr P1 and Mr P2 that novation could happen, when the truth of the matter was that it could not.

As such, there is no corrective action for Lloyds to take here. This is because what happened here – that novation did not occur – is the correct outcome. And to reiterate, this is because, as explained, it was never the case that novation could occur in April 2023, because it wasn't permitted by the BBB at that time.

The BBB's prohibition on novation has been lifted since October 2023. However, while novation is now permitted, there are qualifying conditions which must be met. One of these conditions is that a BBL must not be in arrears. And, unfortunately, the BBL in question appears to have been in arrears for some time. This means that it's my understanding that novation still wouldn't be possible on the BBL, if Mr P1 and Mr P2 were to request it today.

It also should be noted that there may be other qualifying conditions that may be a factor into whether novation could be possible, if the current BBL arrears were to be repaid. I can therefore only encourage Mr P1 and Mr P2 to discuss this matter with Lloyd directly, if they have any questions in this regard.

Finally, while it was never the case that novation would have been possible on this BBL, Lloyds did accept that Mr P1 and Mr P2 may have been incorrectly informed that novation would be possible. Lloyds apologised to Mr P1 and Mr P2 for this and paid £40 compensation to them for any upset or trouble the misinformation may have caused.

Lloyds' payment of £40 compensation for the misinformation feels fair to me, and I can confirm that it's commensurate with what I might have instructed Lloyds to have paid as compensation for that misinformation, had they not already done so.

In taking this position, I've considered that the incorrect information had no impact on the overall outcome here – which, as explained, would always have been that novation did not occur. And I've also considered the general framework this service uses when assessing compensation amounts, details of which are available on this service's website.

It follows from all the above that I won't be upholding this complaint or instructing Lloyds to take any further or alternative action here.

In short, this is because it was never the case that Mr P1 and Mr P2 would have been able to absolve themselves of their liability for the BBL in the manner that they wanted, so as to leave Mr X as the sole liable party. And this is regardless of any incorrect information they may have been given by Lloyds about the possibility of novation taking place.

I realise this won't be the outcome that Mr P1 and Mr P2 were wanting. But I hope they will understand, given all that I've explained, why I've made the final decision here that I have.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P1 and Mr P2 to accept or reject my decision before 13 August 2024.

Paul Cooper
Ombudsman