

The complaint

L complains about being declined for a business credit card by Lloyds Bank PLC.

What happened

L's director, Mr E, has explained that he set up the limited company in February 2024. Mr E has told us he has a long history of personal banking with Lloyds and went on to open a business bank account for L with it.

Mr E says that he found information about a business credit card via Lloyds online banking facility and decided to apply on L's behalf. Mr E has told us he wanted to use the business credit card to cover general expenses, like travel. Lloyds considered L's application but declined it. Mr E's told us he was advised the basis for Lloyds' decision to decline L's application was made on the basis his business was new and lacked sufficient trading history.

Mr E went on to raise a complaint on L's behalf and Lloyds issued a final response on 12 March 2024. Lloyds said it had assessed L's application using credit scoring which uses information found on the credit file along with information provided about L and existing accounts with it. Lloyds explained it used the information available to consider the risk of lending and that if an application received enough points it would be approved. Lloyds didn't agree it had made a mistake or acted unfairly by declining L's application for a business credit card and didn't agree to amend Mr E's credit file or uphold the complaint.

An investigator at this service looked at L's complaint. They weren't persuaded that Lloyds had acted unfairly or made any errors when considering L's application. On L's behalf, Mr E asked to appeal and said it was important to consider he'd been invited to apply for the business credit card on L's behalf via Lloyds' online banking facility. Mr E says he was enticed into applying for L's credit card and that Lloyds should've made it clear that new businesses are likely to be rejected. Mr E said he wanted Lloyds to remove the information about the application from his credit file and make it clear that new businesses are likely to be refused credit based on their shorter trading records before an application is made. As Mr E asked to appeal L's complaint, the complaint has been passed to me to make a 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.

I'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

Mr E's says Lloyds should've made it clearer that a new business with a short trading record would most likely be unsuccessful in applying for a business credit card before the application is made. I take Mr E's point and understand why he feels Lloyds' decision was unreasonable. But Lloyds' final response provides a more nuanced explanation of how an application is made and considered.

Lloyds' final response explains that each application is subjected to a credit scoring process that uses a range of information. Details about the business making the application are considered along with information found via the credit reference agencies. Lloyds has explained it also uses information it knows about the applicant – including any accounts it holds in the business' name. I accept that it's likely the length of time L had been trading at the point of application may've formed part of Lloyds' ultimate decision not to lend. But I haven't seen anything that shows there's a specific minimum operating period in its criteria.

Ultimately Lloyds has confirmed the application failed on the basis of the credit scoring process it applied. I'm satisfied that reasonably explains why Lloyds wasn't able to proceed with L's business credit card application. I haven't been persuaded that Lloyds made a mistake or treated L unfairly by declining the application.

Mr E's told us he feels he was enticed into applying on L's behalf. Whilst I accept Lloyds gave information about the business credit card via its online banking facility, it was up to Mr E to decide whether to apply on L's behalf. And I'm satisfied that whilst Lloyds provided information about the business credit card to Mr E, by doing so it was inviting him to make an application. There was no guarantee or promise that the application would be successful or that L had already been approved.

In the circumstances, I haven't been persuaded that Lloyds acted unfairly by providing information about the business credit card to Mr E or that it failed to make it clear an application would need to be assessed and approved before a credit card could be supplied. As a result, I haven't found grounds to tell Lloyds to make credit file amendments or take any other action to resolve L's complaint. I'm sorry to disappoint Mr E but as I haven't been persuaded Lloyds acted unfairly or made a mistake, I'm unable to uphold L's complaint.

My final decision

My decision is that I don't uphold L's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 3 October 2024.

Marco Manente
Ombudsman