

The complaint

F, a limited company, complains about the way Lloyds Bank PLC dealt with its application for an increase to its overdraft facility.

F has been represented in this complaint by its director, Mr H.

What happened

Mr H has explained that F needs certain accreditations to be able to work with clients. It needed to renew those accreditations, but couldn't afford to pay for them. So in late November 2023, Mr H asked Lloyds to increase F's overdraft facility by £10,000. Lloyds said it was willing to increase the facility by £5,000 for six months, subject to credit approval.

In the event, Lloyds declined the application because F had outstanding debt with a debt collection agency, and it didn't consider the requested increase to be affordable to F. Lloyds said that if Mr H provided evidence that the debt had been repaid, it would look into what it could do to help. But after Mr H provided evidence that the debt had been repaid, Lloyds declined the application again because it transpired that Mr H was in an Individual Voluntary Arrangement (IVA).

Mr H says he called Lloyds in March 2024, after he received a letter from Lloyds expressing concern about the state of F's account since November 2023, and asking him to call it so that it could help. He says he explained that if F didn't get the accreditation, it wouldn't be able to trade.

Mr H says he told Lloyds that an increase in F's overdraft limit wouldn't be an option, as it had already been refused in November 2023 because he was in an IVA. He says the business manager said he'd spoken to the compliance team, and if he provided F's 2023 accounts, he'd be able to go ahead with the application and Lloyds would be able to increase F's credit limit. Mr H believes that this implied that the application wouldn't be rejected for the same reasons it had been rejected in November 2023.

Mr H says he explained that F hadn't yet filed the 2023 accounts, because it couldn't afford to pay its accountant. He said he'd had to ask HMRC for an extension of time to file F's 2023 accounts because it couldn't afford to pay for them. But Lloyds said that without them, it wouldn't be able to increase F's overdraft facility. So Mr H says he borrowed £750 from a family member and paid F's accountant for the 2023 accounts two months earlier than he had to. But Lloyds again declined the application. Mr H says that Lloyds didn't even check the accounts or other financial information he'd provided, but rejected the application because of his personal credit history, just as it had done in November 2023.

Mr H asked Lloyds to close F's current account, but it said it couldn't do this, due to the overdraft balance. In late May 2024 Lloyds issued a formal demand for immediate repayment of the overdraft, which stood at more than £3,300.

Mr H says Lloyds told him that his IVA wouldn't affect the application, but that turned out not to be true. He says the application was rejected on the basis of his personal credit history, even though he'd been assured that it wouldn't be a problem, and that everything would be fine if he provided the information needed to assess the application. That included the accounts for which he paid F's accountant £750.

Lloyds said that it hadn't guaranteed that it would approve F's overdraft application if it provided its financial information for 2023. It said, rather, that the information would be required with other supporting documentation to enable a full assessment to be completed. It said that it was still willing to consider an application from F if it provided all the information requested, but couldn't guarantee that it would be approved. It would be subject to checks to ensure that that lending would be appropriate and affordable to F. But Lloyds paid Mr H £75 as an apology for the poor service he'd received on the phone when he'd called to discuss the complaint.

One of our investigators considered the complaint, but didn't think he could ask Lloyds to do more. In summary, he didn't think Lloyds had acted unfairly in declining the application for an increased overdraft. He said it had been F's decision to pay an accountant to prepare financial information in support of its application.

Mr H didn't agree with the investigator's view, so the complaint's been passed to me.

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 H feels strongly that if he hadn't been led to believe that the financial information might make a difference, he wouldn't have paid F's accountant £750, and would have chosen to allow F to be struck off the register of companies. As it was, he believes that the application was always doomed to failure and that Lloyds should have been aware of that.

I accept that Lloyds' business manager told Mr H that there were strengths and positives in what he'd told him about F's business. And I accept that he told Mr H that financial information and 2023 accounts for F could add a lot of weight to the application.

It's clear that Mr H was, understandably, desperate to get access to money to enable him to renew F's accreditations, and I can understand why he paid to get F's 2023 accounts. But I don't accept that Mr H was led to believe that there was any guarantee that the application would succeed.

I accept that it would have been apparent to the business manager that there was some doubt as to whether the application would succeed, given both F's and Mr H's financial situation. But that's not the same as saying that he should have realised that the application was doomed to fail. I think it's clear he was doing his best to help F. And I don't think it was unreasonable of him to lead Mr H to believe that the application had some prospect of success.

As it was, there were multiple reasons why Lloyds refused to increase F's overdraft limit in March 2024. They included Mr H's IVA, but they also included the worsening situation on F's accounts, with arrears on its Bounce Back Loan and its current account overdrawn beyond the agreed limit.

Ultimately, it was for Mr H to decide whether to pay for F's accounts when he did in order to maximise the chances of an increased overdraft being approved. I don't accept that he was led to believe that there was any guarantee that the application would succeed if he did so.

I should also comment that I'm not convinced that F's financial position is worse as a result of having had the 2023 accounts drawn up in any event. It sounds as if Mr H may have paid the accountants himself, having borrowed the money from a family member. If that's the case, F itself didn't lose out financially as a result, and I can't consider financial loss to Mr H personally, as the complainant here is F. If Mr H hadn't had the accounts prepared, F would have been struck off the register of companies. Mr H has indicated that that's what he'd have chosen to do if he hadn't been given false hope that the overdraft application would be approved. But if F had been struck off, it would have been left with no assets at all. So it would have been in no better position than it is.

I'm very sorry to hear about the stress that the situation has caused to Mr H. As I've mentioned, the complainant here is F, a company, which can't itself feel stress. A company can experience inconvenience, but Lloyds has paid £75 to apologise for its poor phone communication with Mr H and I don't consider that I can fairly require it to do more.

Finally, our investigator mentioned the termination of F's Bounce Back Loan in his view of the complaint. But this doesn't form part of the complaint that I've considered here. If F wishes to complain about the termination of its Bounce Back Loan, it will need to raise this as a separate complaint.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 23 October 2024.

Juliet Collins
Ombudsman