

The complaint

A limited company, which I'll refer to as 'S', is unhappy with how Lloyds Bank PLC have administered its Bounce Back Loan ("BBL").

S's complaint is brought to this service by its director, whom I'll refer to as 'Mr F'.

What happened

In May 2020, S successfully applied to Lloyds for a BBL, and it received the loan funds that same month. In October and November 2023, S didn't make the contractually required monthly payments towards its BBL, meaning that its loan fell two months into arrears.

Lloyds sent letters on 12 October and 13 November 2023 advising S that it had missed its BBL payments. Lloyds then sent several further letters to S about the position of its BBL over the next several months. And these letters asked Mr F, in his role as S's director, to contact Lloyds to arrange repayment of S's loan arrears. Subsequently however, Mr F didn't contact Lloyds about S's BBL arrears, and S then missed a further monthly payment in May 2024 so that S's loan was now three months in arrears and had been in arrears for eight months.

Because of the deteriorating position of S's BBL, Lloyds issued a formal demand to S on 29 May 2024. The formal demand required S to repay the full outstanding balance of the loan, or to meaningfully engage with Lloyds about the situation, within 14 days.

Mr F called Lloyds on 6 June 2024, following the receipt of the formal demand, and explained that S was due to receive an influx of income later that year which would allow S to clear the BBL arrears in full at that time. However, Lloyds wouldn't agree to an extension to allow S to clear its BBL arrears and instead moved to default the loan when the 14-day deadline given on the formal demand expired. Mr F wasn't happy about this, so he raised a complaint on S's behalf.

Lloyds responded to Mr F but didn't feel they'd done anything wrong by defaulting S's BBL. Lloyds did accept that their agent that Mr F had spoken with on 6 June 2024 should have provided a better standard of service to Mr F on that call, although they didn't feel that that poor service had led to an incorrect or unfair outcome. Lloyds apologised to Mr F for the service he'd received from their agent, and they sent a cheque for £50 to S as compensation for any inconvenience that may have been incurred as a result. Mr F wasn't happy with Lloyds' response, so he referred S's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Lloyds had acted unfairly by administering S's BBL as they had and so didn't uphold the complaint. Mr F 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 F has explained that he didn't receive any letters from Lloyds notifying him that payments had been missed on S's BBL until he received the formal demand in June 2024. However, Lloyds have demonstrated to my satisfaction that they sent a series of letters to S about the position of its loan over several months, from October 2023 onwards. And I'm also satisfied that Lloyds sent these letters to S's correct address – the address that Mr F has provided to this service as being the correct address for S.

Of course, it doesn't follow that because Lloyds sent these letters to S at the correct address that these letters were received by S. But if it were the case that S didn't receive any of the several correctly addressed letters that Lloyds sent to it, then this isn't something for which I'd consider holding Lloyds responsible. This is because the delivery of correctly addressed mail is undertaken by a postal service over which Lloyds have no direct control.

Additionally, it was the responsibility of Mr F, in his role as director of S, to have monitored the position to S's BBL and to have been aware that scheduled monthly payments towards the loan hadn't been made – either by monitoring the BBL account directly or by monitoring the account from which the BBL payments were being made. And Mr F's responsibility in this regard wasn't reduced or diminished in any way even if it was the case that S wasn't receiving the correctly addressed letters which Lloyds were posting to it.

In short, if Mr F wasn't aware that S's BBL had fallen into a position of arrears, then I feel he reasonably should have been aware of this. And a consequence of this is that I don't accept Mr F's position that he was unable to address the arrears on S's BBL because he wasn't aware that there were any arrears on S's BBL.

When Mr F did contact Lloyds about the position of S's BBL on 6 June 2024, this was after Lloyds had issued a formal demand requiring full repayment of the BBL within 14 days. The issuance of a formal demand generally represents a last chance for a loan account holder to avoid the defaulting of their loan. And a formal demand is only issued when the position of a loan has deteriorated to a significant degree.

In this instance, as explained, S's BBL had fallen three months into arrears and had been in a position of arrears for eight months. As such, I'm satisfied that Lloyds were acting reasonably by issuing the formal demand. And I'm also satisfied that after the issuance of the formal demand, it was for Mr F, as director of S, to have met any requirements that Lloyds may have had if he wanted Lloyds to delay the defaulting of S's loan.

I've listened to the call that took place between Mr F and Lloyds on 6 June 2024. During that call Lloyds made it clear that to consider delaying the defaulting of S's loan they required details of S's income and expenditure over the last six months and some evidence that S's financial position was likely to improve in the coming months as Mr F claimed. But Mr F didn't provide the information Lloyds were requesting.

Because of this, when the call ended, there was no agreement in place regarding postponing the defaulting of S's BBL, and the 14-day deadline given in the formal demand remained in place. And Mr F didn't subsequently call back to provide the information Lloyds reasonably required from him to Lloyds before that 14-day deadline expired.

All of which means that I don't feel that Lloyds have acted unfairly here towards S as Mr F contends. I say this because Mr F appears to not have monitored S's BBL, as per his responsibilities as director of S, and so appears to have been unaware that S had missed payments on its BBL. This meant that when Mr F did contact Lloyds, S's BBL was in a position of significant arrears such that Lloyds were close to defaulting it.

Furthermore, when Mr F spoke with Lloyds, at a time when the conversation effectively

represented a last chance for S to avoid the defaulting of its BBL, Mr F didn't engage with Lloyds as per Lloyds' requirements, as he as reasonably expect to, which meant that Lloyds weren't willing to delay the defaulting of S's loan. And, given Mr F's lack of cooperation in this regard, as well as the amount of arrears present on S's loan and the lack of meaningful engagement from S before that time, I don't feel that Lloyds acted unfairly or unreasonably by defaulting S's BBL when the 14-day deadline given on the formal demand expired.

In their response to S's complaint, Lloyds felt that their agent on the 6 June 2024 call should have tried to work out what S might be able to afford regarding arrears repayment based on the limited information that Mr F provided to them. But Lloyds also felt that even had their agent done this, that their agent wouldn't have been able to agree to a postponement of the defaulting of S's BBL because Mr F hadn't provided the information about S's recent and future financial position that I'm satisfied Lloyds reasonably required.

As such, while Lloyds apologised to Mr F that their agent hadn't acted as they would have expected on the 6 June 2024 call, Lloyds didn't feel that this had any impact on the fairness of the outcome that followed – the defaulting of S's BBL. Lloyds position on this matter seems reasonable to me, and I feel that the £50 cheque that Lloyds sent to S as compensation for this aspect of S's complaint already represents a fair outcome to it.

All of which means that I won't be upholding this complaint or instructing Lloyds to take any further or alternative action here. In short, this is because I don't feel that Lloyds have acted unfairly as Mr F contends, including by defaulting S's BBL when Mr F didn't comply with their requirements on the 6 June 2024 call.

I realise this won't be the outcome Mr F was wanting, but I trust that he'll understand, given what I've explained, why I've made the final decision 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 S to accept or reject my decision before 18 December 2024.

Paul Cooper
Ombudsman