

## **The complaint**

Mr N is a sole trader. He complains that Lloyds Bank PLC shouldn't have agreed to give his business a Coronavirus Business Interruption Loan ("CBIL") because the business was already failing and it wasn't affordable.

## **What happened**

Mr N ran a business that had banked with Lloyds for some years.

In 2020, the pandemic prevented him from trading and he successfully applied for a CBIL for £25,001. His business later failed completely.

In November 2021, the bank issued a formal demand for £25,001 plus a small amount of interest, later transferring the loan to its Recoveries department.

Mr N complained that the bank should never have agreed to the loan as they hadn't made any affordability checks and he wouldn't have passed them if they had.

The bank didn't uphold Mr N's complaint. They said they had carried out adequate checks and he had met the criteria. They also pointed out that it was a product he had applied for, not one they had recommended to him.

Mr N asked the Financial Ombudsman to look into what had happened.

One of our investigators did so and didn't recommend upholding Mr N's complaint. She thought the bank had carried out a risk assessment using credit scoring and evidence from bank statements. She also said that the bank was entitled to rely on the information Mr N gave in his application form, for example, business turnover.

Mr N asked for an ombudsman to look at the matter again. He said the business was already failing and he did not believe the bank had done any affordability checks, as the business wouldn't have passed them if it had.

## **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.

The CBIL scheme was the first of the loan schemes established by the British Business Bank ("BBB") to assist businesses in getting through the pandemic. The guidance from the BBB for CBILs said that applicants needed to have a borrowing proposal that the lender would consider viable, were it not for the current pandemic. However, it's also relevant that lenders were expected to make decisions swiftly so the funds could be made available fast. This meant that they weren't expected to carry out detailed manual checks.

Against this background, I've looked at the evidence of the checks the bank carried out before agreeing to Mr N's CBIL and I think they were sufficient. The bank asked Mr N some questions on the phone, but mostly relied on its own dynamic credit score and the past evidence of account conduct from bank statements.

The CBIL agreement Mr N signed included terms and conditions. Clause 5 included various representations that the applicant made by applying. These included: "There has been no material adverse change in the financial condition of your business since the date of the financial statement received by the bank prior to the date on which this agreement is signed" (clause 5.1 (c)). Mr N also had to represent that no events of default had occurred. The definitions of events of default included "you fail to pay when due any indebtedness owed by you to another creditor" and "you stop or threaten to stop payment of your debts generally". He also had to declare his business turnover. The bank was in my view reasonably entitled to rely on this information in deciding to lend.

At the time of the application, Mr N had had a business bank account with Lloyds since 2010. The bank account had operated satisfactorily, with no unauthorised overdrafts in the past year. The statements at that point showed a healthy turnover through the account. The bank's records show that the business would have met the bank's criteria for lending before the pandemic. I don't think the bank did anything wrong in relying on this information, coupled with the representations made in the CBIL application, to make its lending decision.

I think it's also fair to say that, had the CBIL application been declined, it's highly likely that Mr N would have applied for a bounce-back loan, when that scheme was announced some two months later. I say this because Mr N was understandably clearly very keen to acquire funds to keep his business afloat at that point. Bounce-back loans were self-certified so no credit check was required. It follows that I think it's more likely than not that Mr N would have ended up owing the bank the same amount even if the CBIL application was rejected.

I realise that Mr N has been through a very difficult time with the collapse of a business he worked very hard to build up. But the evidence from the time shows that he was very keen to borrow the money to keep his business going. Clearly, no-one knew how long the pandemic would last and that it would prove impossible to save his business. But I don't think it was wrong of the bank to lend to him under the CBIL scheme at the time.

### **My final decision**

For the reasons set out above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 23 August 2023.

Louise Bardell  
**Ombudsman**