

The complaint

A company which I'll call S complains that Lloyds Bank Plc treated them unfairly when it wouldn't extend a loan agreement, meaning they had to sell a property at a lower value than planned.

The complaint is brought on S's behalf by their director, Mr S.

What happened

S held an interest only development loan with Lloyds which was initially due to mature in June 2022. The maturity date was extended by the bank until 11 September 2022.

S told us:

- They purchased a property to develop in December 2020, but the Coronavirus pandemic affected the project timescales so they approached Lloyds for a three-month extension so they could sell the property. Throughout this process, they had been open and honest with the bank and kept it fully updated on progress.
- They marketed the property in May 2022 and had an independent valuation undertaken which valued the property at £1,100,000 and local estate agents said this was easily achievable. However, four months wasn't enough to get a sale at that price and they didn't want to rush and accept a sale at a lower value.
- Lloyds wouldn't agree to an extension and said the loan had to be repaid by 11 September 2022 – not just the exchange of contracts for the property sale. Their relationship manager ('RM') told them unless the balance was repaid in full by this date, the bank would default the loan and charge a penalty of around 1% per day.
- The RM said they could put them in contact with a broker to maybe look at changing the loan to a 'buy to let' mortgage. However, the property wasn't designed to be rented and they were concerned that tenants would cause the property value to decrease. So, they had no choice but to sell the property at a reduced value of £1,000,000.
- Their director had been caused distress and inconvenience because the property had needed to be sold at a loss to meet the repayment date. And they believed their RM hadn't provided a reasonable level of service to prevent this.

Lloyds told us:

- In March 2022, due to the impact of the Coronavirus pandemic, it had agreed a three-month extension to S's loan which had been due to mature in June 2022.
- In June 2022, S asked for a further extension, but their RM explained this was unlikely to be agreed due to the nature of the loan and said that the outstanding balance would need to be repaid on 11 September 2022. S's RM offered to introduce

them to a broker who may be able to help with refinancing, possibly to a buy to let mortgage.

- On 20 July 2022, the RM explained that if S didn't repay the loan on the due date, this would mean that the loan would default, and their account would go overdrawn and be passed to its recoveries department. It had told S in writing on several occasions how much interest would accrue should they go into their overdraft and the interest rate that was payable wouldn't be 1% per day. However, the RM did also apply to the bank's credit team for the term extension requested by S.
- It told S on 25 July 2022, that the extension request had been submitted and this had been confirmed to them by the end of July. However, S said the property had already been marketed and sold at a loss of £100,000.
- S's solicitor had requested a letter of non-crystallisation in mid-August 2022. S had been directed to a different department as their RM had been on annual leave, but the RM had still been able to provide this within the timescales provided.
- It had told Mr S that S's credit history hadn't been negatively impacted from the issues they experienced.

Our investigator didn't recommend the complaint be upheld. She said that she couldn't hold Lloyds responsible for S's decision to sell their property when, or for the value they did. She also said that she hadn't seen any evidence the RM had said the loan couldn't be refinanced at a later date, but even if that was the case, the onus was on S to repay their loan within the agreement timescale. She also didn't think the valuation was a guarantee of the value the property would sell at, and she was satisfied the RM had clarified the interest rate payable by S before they sold their property.

S didn't agree. They said they believed what the RM had told them about not being able to extend their loan and the costs they'd incur if they didn't meet the loan repayment date. So they felt Lloyds had failed in its duty of care to them and asked for an ombudsman to look into their complaint.

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.

S says Lloyds treated them unfairly because they were forced to sell a property at a lower value than expected, but I don't agree. Lloyds wasn't obligated to extend the term of its agreement with S, neither did it have a duty of care to do so. The end date of the agreement was in June 2022, at which point the bank could have called upon the loan in line with the terms and conditions. But I've seen that Lloyds agreed to a term extension for three months until September 2022 so I can't reasonably say the bank treated S unfairly when the RM told them that the outstanding balance would need to be repaid on this date.

S says that they made the decision to sell at a lower value mainly because in March 2022, their RM said a further extension wouldn't be agreed and because of the costs they'd incur if the loan became an unauthorised overdraft. But I'm not persuaded that's the case. I recognise it would have been frustrating for S that in September 2022 the bank said it would agree to a further extension, shortly after they had already marketed and sold their property at a lower amount than their own valuation suggested. However, this doesn't mean that

Lloyds', decision to extend would have been granted even if S had been told that it may be a possibility in March 2022.

I've seen the email sent by the RM in March 2022, and it says that the bank could only give an extension of three months. I think it's likely this was Lloyds' position at the time and therefore the RM was providing the factual information at that time. I also think it's reasonable that in March 2022, S was told they needed to repay the debt in September, because this was the new contractual end date and therefore the correct information at the time. I haven't seen anything that implied when Lloyds allowed the original extension, that it was prepared to offer this as a three-month term extension with the option to extend this further. I also haven't seen any evidence that S made the bank aware in March 2022 that they thought the three-month extension wouldn't be sufficient. So I think S ought to have been reasonably aware they would need a way to repay the loan to meet the September deadline.

I've also seen that in June 2022, three months before the new repayment date S's RM offered to put them in contact with a broker who may be able to look at refinancing to a buy to let mortgage for them. However, S told us they decided not to take this option to mitigate the potential loss they say they've been caused as it may also lower the property value. S then contacted the RM again in July 2022 to ask for assistance and they said they'd put a request through to see if the loan could be extended again, which S acknowledged but then chose to reduce the sale price of their property. So I think the bank was trying to assist S as requested.

I recognise that S believes they were likely to sell their property for £100,000 more than they did. However, I think it's worth noting here that S's property valuation is simply that, it is an estimate of what the property may be worth on the open market. A property valuation doesn't provide a guarantee of what a property will sell for – or if it does achieve this valuation, how quickly a sale would take place. And I've seen evidence from Mr S that he told Lloyds in July 2022, that S had attempted to sell the property but hadn't been able to do so. So I'm not persuaded that even if Lloyds had granted the three-month extension, that this would have had a material impact here. And I can't fairly hold Lloyds responsible for a speculative loss of what a property may have sold for had it been marketed it at a higher value and if it would have achieved this within a small extended period.

S says that their RM didn't give a reasonable level of service and gave them incorrect information which impacted their decision to sell their property at a lower value. It's not for me to fine or punish a business for making a mistake, and there is no evidence to say what the RM told S would be payable as a daily interest rate on an unauthorised overdraft if they didn't repay the loan as expected. However, even if I accept that the RM gave S incorrect information about the interest rate payable on the overdraft initially, I've seen emails between S and the RM where the information was clarified shortly after Mr S says the incorrect information had been given. This was also around the same time as Mr S said S was struggling to sell the property and asked the RM to request a further extension.

So although I recognise this would have been distressing for Mr S to be told the costs would be so significant should S be unable to repay the loan as planned, I'm not persuaded, given the timescales involved, that this incorrect information had the impact on S's decision to sell the property for a lower value which the company says it did.

S says that their director has been caused distress and inconvenience due to Lloyds' actions. But this complaint has been brought on S's behalf, so S is the eligible complainant. This means that I can't look at any distress or inconvenience caused to a director in a personal capacity. Limited companies like S, as corporate bodies rather than individuals, are

not capable of suffering distress, which means I can only look at the inconvenience caused to S by Lloyds' actions.

I recognise that S is unhappy about the sale of their property at a lower value, and their director will be disappointed with my decision. But based on everything I've seen, I don't think Lloyds has done anything wrong, so I won't be asking it to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 27 November 2023.

Jenny Lomax
Ombudsman