

## **The complaint**

A limited company, which I'll refer to as T, complains that DSL Business Finance Ltd ("DSL") unfairly declined its request for a Recovery Loan.

T is represented in this complaint by its director, Mr R.

## **What happened**

T applied for a £60,000 Recovery Loan ("RL") under the Government's Recovery Loan Scheme. On 27 October 2022, DSL's lending panel met with Mr R to discuss the application, later deciding to decline it.

T complained that DSL's reasons for declining the loan weren't adequate. Mr R provided detailed further evidence to support the application, but DSL didn't change their mind.

Mr R referred T's complaint to the Financial Ombudsman. One of our investigators looked into what had happened, but didn't recommend upholding T's complaint. She felt that DSL had given due consideration to T's proposal and had not acted unfairly in declining it.

Mr R disagreed with our investigator and asked for an ombudsman to consider the matter again. He made the following points:

- He didn't accept the finding that T's proposal wasn't viable. The company had been trading for 12 years and he had tackled every question asked in the panel meeting.
- DSL had not justified their conclusions.
- The quality of questioning in the panel meeting had been poor
- Recovery loans were meant for businesses in a position like T.
- Directors' loans could be converted to equity. So the only debt in T's balance sheet was a £40,000 bounce back loan.
- He supplied an independent business report that classified T as low risk and recommended lending to T.

## **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 R has made a number of detailed arguments about why the lending proposal to T should have been approved. I have read and considered everything he has provided. But I will start by pointing out that my role is to decide whether DSL made errors or acted unfairly in their consideration of T's loan, not to make DSL's lending decisions for them.

I've listened in full to the audio recording of the panel meeting. Mr R had submitted his business plan in advance and the panel in my view gave him ample opportunity to answer questions and make his case. I know Mr R takes issue with some of the questions asked. But I consider it to have been a professional discussion, with panel members clearly having read the business plan beforehand. Mr R disagrees with the conclusions reached, but I see no errors in the way the discussion was conducted.

Mr R has said several times that the panel's conclusions lacked evidence and were just "hunches". But lending decisions in my view are inherently a matter of personal opinion, based as they are on estimates of future performance. That is why it is often considered good practice to use a panel to make decisions, as DSL did here, and to have an appeals process, which I can see was also used. In any case, whilst I appreciate that Mr R disagrees with them, I think the three reasons DSL gave for turning down the proposal make the panel's reservations sufficiently clear.

Mr R also believes that the Government's Recovery Loan Scheme was created for businesses just like T. But, as our investigator explained, the British Business Bank chose to include a viability test in the requirements for this scheme. Lenders were not obliged to lend. In contrast, they were obliged to carry out a lending assessment and should only lend if they were satisfied with the results.

Mr R has also pointed out that with a partial Government guarantee and a personal guarantee from him, the risk to DSL was relatively low. But DSL's risk appetite is a matter for them. And they needed to consider the viability of the proposal on a stand alone basis, without taking into consideration the guarantees.

I can see why Mr R was so frustrated by DSL's decision. He is committed to his business and believes in it. He was also in a difficult position – unable to demonstrate a pipeline because he didn't have the budget to advertise to create one. But that isn't DSL's fault.

There is no requirement for lenders to consider whether they are willing to lend a lower figure than that requested. But in any case, DSL have confirmed that they were not willing to do so, as they considered their concerns over debt servicing would not be overcome by lending a smaller sum.

In summary, I haven't seen any evidence that DSL made any errors in their handling of T's application or failed to give it fair consideration.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 4 October 2023.

Louise Bardell  
**Ombudsman**