

## **The complaint**

Mr S, a sole trader, complains that Lloyds Bank PLC are unfairly pursuing him for repayment of a bounce back loan (“BBL”) that was actually taken out by a limited company, of which Mr S is the director.

## **What happened**

Mr S and a fellow director set up a limited company, which I’ll call W, in 2019. They opened a bank account for it with Lloyds, who were also Mr S’s personal bankers.

In April 2021, Mr S applied to strike off W and the company was dissolved in July 2021.

Also in April 2021, Mr S completed a BBL application with Lloyds. He filled in the name of the business as the same name as W’s minus the “limited”. He included his personal bank account details and ticked a box to say he was a sole trader.

At the same time as the BBL application, Mr S also opened a sole trader business current account.

Lloyds agreed to the BBL and paid the proceeds into the new sole trader account on 20 May 2021.

In December 2022, the BBL fell into arrears. In 2023, Lloyds took recovery action, ultimately passing the BBL to an external debt collection agency.

In February 2023, Mr S complained. He said he’d written to the bank multiple times to confirm W had been dissolved and they were ignoring his letters. Lloyds didn’t uphold his complaint. They acknowledged receipt of some of his letters, but said they couldn’t take the action requested in the letters, because the BBL was in his personal name as a sole trader.

Mr S asked the Financial Ombudsman to look into what had happened. One of our investigators did so, but she didn’t recommend upholding the complaint. She felt that the evidence showed the application was made as a sole trader, so Lloyds hadn’t made an error.

Mr S asked for an ombudsman to issue a decision. He made the following points, in summary:

- At the time he had applied for the BBL, Lloyds Customer Services had assured him that setting up the BBL first as a sole trader would be the quickest way to get approval and “shortcut the system”. They said there would then be an automatic transition to the limited company name.
- It was impossible to speak to Lloyds’ BBL department at that time, as they weren’t taking calls.
- Lloyds had given him advice that was against his and his company’s interests.

- There was no logical reason for him to open a third current account, as a sole trader. W already had an account and so did he.
- Lloyds had sent him a letter addressed to W (including the “limited”) in February 2021. This showed that they knew he was trading as a limited company.
- The bank acknowledged in their complaint response that they had received his letters, so why didn’t they reply? He had then sent further letters in response to their BBL arrears correspondence, which again they had ignored.
- He hadn’t even received Lloyds’ response to his complaint, until it was forwarded to him later.

### **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.

Having done so, I’m sorry to disappoint Mr S, but I’ve reached the same conclusion as our investigator, for essentially the same reasons.

First I’ve looked carefully at the BBL application. A trading name was filled in as the borrower name, which was also W’s name (without the “limited”). But there was otherwise no evidence to link the BBL application to the limited company. The application shows a tick in the “sole trader” box and a tick in the box that said:

“If you are applying for a Bounce Bank Loan from a lender with whom you have a personal current account and your business was established between 6 April 2019 and 1 March 2020, you will need to discuss becoming verified as a business customer with your lender in order to qualify for a Bounce Back Loan”.

Mr S then provided his personal bank details in the box below this statement.

I think it’s relevant that the above was one of four statements, from which Mr S needed to select one. The first of these four said “If you are applying for a Bounce Back Loan from a lender with whom you have a business current account or charity bank account, please supply your account number and sort code”.

Mr S has since pointed out that W had a bank account with Lloyds at this time and I can see that this was the case. So I fail to see why he would not have ticked the first box and supplied W’s account details if he wanted the BBL in that name.

I know Mr S has argued that there was no reason for him to open the new sole trader business account at the time of the BBL application. However, Lloyds’ records for the opening of the sole trader account include a note that Mr S had been using a personal account for trading, but now needed this account to apply for a BBL. Mr S may dispute the accuracy of this statement. But this would have been a perfectly normal reason for opening a sole trader account at the time.

It was accepted as part of the BBL scheme that some sole traders hadn’t previously operated separate business accounts, but rather traded through their personal accounts. This is not what is supposed to happen, as trading activity should really be separated from personal activity. Banks are hence entitled to ask customers trading through their personal accounts to open a business account. A large number of new business current accounts were therefore opened in order to access BBLs.

Mr S argues that this is all down to the poor, or disingenuous, advice given to him by the bank. He says that they told him to say he was a sole trader as a shortcut to get the BBL and that the loan would then be migrated later to the correct name of W. I can't know exactly what was discussed, but I think it's more likely than not that Mr S's recollections are confused. I say this because it seems to me that a BBL for a limited company that was an existing customer would have been far more straightforward to process than the route that Mr S went down, which required the opening of a new current account. So I can see no reason why Lloyds would have advised him to claim to be a sole trader if he wasn't, if they were aware of W at the time.

It would also never have been straightforward to transfer a BBL given to a sole trader into a limited company name. There would be no automatic process for this and I think it's unlikely that anyone at Lloyds would have said there was. The process would have required a legal process known as novation, which was problematic under the rules of the BBL scheme.

Mr S has also provided evidence of a letter the bank wrote addressed to W in February 2021. I agree that this letter shows that the bank was aware of the limited company at this stage. But as W had had a bank account since 2019, I don't find this surprising. I don't think it means that Lloyds should have tied the BBL application to this entity, in the absence of any evidence from the time of the application asking it to do so.

In addition, I note that Mr S had applied to have W struck off on 21 April 2021, a month before the BBL was finalised and before the BBL documentation was signed. I cannot see how Mr S could in good faith have applied for lending in the name of an entity he was in the process of dissolving.

For all the reasons above, I am not persuaded that there was an error by the bank in this case. So I don't intend to direct Lloyds to take any further action.

I do agree with Mr S that Lloyds should have responded to his letters about W. But I don't think that's the real complaint here and I don't think it would have made any difference to the position with the BBL.

Mr S has mentioned several subsequent issues he has had with the bank, including further failures to respond to correspondence and respond to requests. If Mr S wishes to complain about these, he would need to make a separate complaint to the bank first. ...

### **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 Mr S to accept or reject my decision before 20 February 2024.

Louise Bardell  
**Ombudsman**