

The complaint

Miss H complains that Lloyds Bank PLC unfairly closed her account and registered a default on her credit file.

What happened

Miss H says Lloyds acted unfairly by closing her student account whilst she was still a student. She accepts that she stopped using the account when it reached its overdraft limit and told Lloyds she would repay the debt when she started work. And Lloyds was happy with that arrangement. Miss H says she continued to receive calls and letters from Lloyds but says she was told she could repay the debt a year after graduating. She says Lloyds closed the account and passed it to a debt collecting business and has registered a default on her credit file. Miss H says Lloyds actions have caused stress and this was an innocent mistake.

Lloyds says an overdraft is re-payable on demand and hasn't made a mistake. It says it closed the account on 13 February 2019 with an outstanding balance of just under £1,500 and says the last credit was in January 2018. Lloyds says it wrote to Miss H about her account in June and July 2018 telling her the overdraft would be removed unless she made contact with it. It says it also e-mailed the letters to Miss H which she read and says it wrote to her again in November 2018 telling her the account would be closed and a default registered.

Miss H brought her complaint to us but our investigator didn't uphold it. The investigator thought Lloyds had told her on numerous occasions that she needed to contact it and that it was planning on closing the account. The investigator thought Miss H had made contact with Lloyds on 6 December 2018 and a month breathing space was agreed but a repayment plan couldn't be set up. The investigator didn't think Lloyds had made a mistake and was obliged to provide accurate information the Credit Reference Agencies (CRA's).

Miss H doesn't accept that view and in summary says she was told by her local branch there was a problem and was advised to bring her complaint to us. She doesn't accept receiving half of the letters Lloyds says it sent her and says she told it on numerous occasions she could set up a plan from July 2019 on graduation. Miss H says she didn't ignore what was going on but accepts reading the online letters. She would like the default removed.

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 have come to the same overall view as the investigator and for similar reasons. I realise that Miss H will be disappointed by my decision and I appreciate how strongly she feels about what's taken place.

I have looked at the account terms and conditions, which I can see Miss H has also looked

at, and would have agreed to when the account was opened. I can see those terms and conditions make clear that an overdraft is repayable on demand and is there as a "short term safety net". So I don't think Lloyds made a mistake by asking Miss H to repay the overdraft in circumstances where I am satisfied that it asked Miss H on a number of occasions to make contact with it. I can see that Lloyds wrote to Miss H and sent her online messages, which she accepts reading and which Lloyds also confirms were read. I'm satisfied that it ought to have been clear to Miss H that Lloyds was concerned about the account as it hadn't been used in some time and that it was considering removing the overdraft facility.

I have looked at Lloyds records and can see that according to those records Miss H first made contact with Lloyds on 23 August 2018. I think it likely that contact was prompted by Lloyds letters in June and July 2018, and the record of the call says Miss H called about paying money into the account but the line disconnected. So I think it likely Miss H did call Lloyds and was aware of the contents of the letters she had received and knew she needed to pay money into the account. It's not clear why the call disconnected but I would have expected Miss H to have called Lloyds back as I think the onus was on her to pay money into the account that hadn't been used at that stage for about six months.

I'm satisfied that Lloyds continued to write to Miss H and in November 2018 told her that it would be closing her account and registering a default on her credit file. I think Miss H ought reasonably to have realised the position she was in, that there was a significant risk of a default and that an agreement hadn't been reached with Lloyds.

Miss H spoke to Lloyds on 6 December 2018. I would like to have listened to that call as there is disagreement about its content but it's not available. I can see that Miss H disputes that she told Lloyds she would be in work by January 2019 and so able to repay the overdraft. I accept that it's unlikely she told Lloyds that, as I accept she would have known her graduation date was in July 2019. But I have looked at Lloyds note of that call and it says a breathing space of a month would be applied and that Miss H may be receiving a student loan in January 2019. So I think on balance Lloyds did agree a short term breathing space but I don't think it agreed to place the account on hold until Miss H graduated. I have made it clear that I think Miss H ought to have realised this was a problem that wasn't going away but I don't think she engaged with Lloyds as she ought to have.

I'm satisfied that banks and building societies have a duty to accurately report the position of customers accounts to the CRA's. I find that is what happened here. I'm satisfied the relationship between Miss H and Lloyds had broken down, and so I don't think Lloyds made a mistake or acted unfairly by registering a default on her credit file.

I appreciate Miss H questions why she would be told to bring her complaint to us if Lloyds didn't make a mistake. I don't think it matters what the branch thought as I'm satisfied, for the reasons I have explained, that Lloyds was entitled in these circumstances to ask for the repayment of the overdraft. I also appreciate that Miss H says she didn't receive half of the letters Lloyds sent her. I can't hold Lloyds fairly responsible for that but I have made it clear that Miss H ought to have been aware of what was going on as she did receive and read the letters available via online banking and in any event she ought reasonably to have been aware that she owed Lloyds money and that it wanted it repaid.

Overall I appreciate Miss H's concerns about the default. But I don't think Lloyd acted unfairly or made a mistake by registering it, and so I can't fairly order it be removed.

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 Miss H to accept or reject my decision before 2 July 2020.

David Singh
Ombudsman