

## **The complaint**

Mr H has complained that Lloyds Bank PLC (Lloyds) mis-sold him two packaged bank accounts (PBAs). He paid monthly fees for the accounts and received several potential benefits in return.

Lloyds has accepted that it mis-sold Mr H one of the accounts and has already paid him some compensation for this. But, as Mr H believes that Lloyds mis-sold him both accounts, he thinks it should also refund him the fees he paid for the other account, plus interest.

## **What happened**

Mr H has banked with Lloyds for quite a long time. Lloyds has sent us its record of his account history, which is not in dispute. The record shows that:

- in April 2003, Mr H opened one of Lloyds' fee-free accounts,
- in November 2003, Lloyds sold him the first PBA, known as a *Select* account, which replaced his fee-free account, and for which it charged him a monthly fee,
- in July 2009, Lloyds sold him the second PBA, known as a *Silver* account, which replaced the *Select* account, and for which it charged a monthly fee.

I understand that Mr H still has the Silver account.

When Mr H complained directly to Lloyds, it accepted that it had mis-sold the *Select* account to him. However, Lloyds has told us that it thinks it treated Mr H fairly when it sold him the Silver account.

I previously sent Mr H and Lloyds a provisional decision on this complaint. In that provisional decision, I set out the background and circumstances of the case and I explained that I thought Lloyds had mis-sold the Silver account to Mr H. I invited both parties to send me any further comments they wanted to make before I made a final decision.

Both Lloyds and Mr H have told us that they accept my provisional decision with no further comment. However, Mr H has told us that he wishes to switch back to one of Lloyds fee-free accounts but is finding it difficult to do so. As these discussions are continuing, I have not considered any possible implications they may have in this final decision. If Mr H decides to complain about these possible difficulties, then, if he has not already done so, he should raise his concerns directly with Lloyds in the first instance.

## **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.

We've explained how we handle complaints about packaged bank accounts on our website, and I've used this approach to help me to decide what to do about this case. I've looked into

everything that Mr H and Lloyds have told us or sent us about the complaint, and I've decided to uphold it. I've explained why below, but first, I would like to point out that because both Mr H and Lloyds accepted my provisional decision without further comment, my findings are unchanged and much of what follows is very similar indeed to what I said in my provisional decision.

Both parties have said that Lloyds sold the Silver account to Mr H during a meeting at one of its branches and that Lloyds advised him to buy it. In an *advised* (or *recommended*) sale like this, I would have expected Lloyds to check that the Silver account was a reasonable match for Mr H's needs and financial situation, tell him about its benefits and costs clearly and fairly, and give him a choice about buying it.

Neither party has sent us any detailed notes of what happened during the meeting, which is not surprising after such a long time has passed, so I can't tell for sure what Lloyds said or didn't say to Mr H, or what it considered about his personal situation before it made its recommendation. So, I have looked at the evidence that I do have to work out what is most likely to have happened.

In 2009, amongst other things, the main potential benefits of the Silver account included use of a car breakdown service, insurance for mobile phones and European travel insurance.

Throughout our investigation into Mr H's complaint, he has made two main points. Firstly he's told us that he knew the benefits of the account existed, but didn't want or need them as he had alternatives in place; and, secondly, he's told us that he only bought the account because Lloyds advised him during the meeting that he should do so to improve his credit score and to make it easier for him to get a loan or overdraft. He's mentioned that at the time he felt he had a poor credit record and improving his credit score was important to him. I have considered these two points in turn.

#### *Mr H didn't need the benefits of the account*

Mr H has sent us evidence to show that he already had free use of car breakdown service through his partner's work, and he's also sent us a copy of a travel insurance policy he bought several years after Lloyd sold him the Silver account to show that he didn't think the insurance which came with the account met his needs.

Lloyds has said that its recommendation was fair and that it was Mr H's responsibility to decide what to do about alternative cover. I have some sympathy with its comments, but in this particular case I'm not convinced by them.

Mr H's alternative breakdown cover seems to have been a free workplace benefit through his partner's employment and to have been more comprehensive than the cover that came with the account. And at the time Lloyds sold Mr H the account, he was about to undergo a serious medical procedure which may well have reduced the likelihood that he would be able to claim on the travel insurance the account provided, at least for a while. So, it doesn't seem to me that he needed these two benefits. And although I haven't seen written evidence that he had alternative mobile phone insurance, I have no reason to doubt his word on this. (Lloyds has pointed out that it has records which show that during 2012 Mr H registered a phone for the insurance cover, but I don't think that this registration on its own justified Lloyds recommending the account to Mr H around three years earlier).

In relation to the travel insurance, Lloyds has told us that it has a record of a later conversation it had with Mr H about buying a more expensive account which included worldwide (rather than just European) travel insurance when he was considering

travelling beyond Europe. It has said that this shows Mr H knew about the travel insurance. I accept both that the conversation took place and that Mr H knew the Silver account offered European travel insurance, but I gather he declined Lloyds' offer of a more expensive account; and I don't think the conversation shows that Mr H wanted the Silver account for its travel insurance.

Furthermore, when Lloyds accepted that it had mis-sold the Select account to Mr H, it said that the account was "*inappropriate*" for him. When it sold him the Silver account, the only significant difference between the two was that the Silver account included travel insurance whereas the Select didn't. Lloyds has not shown why it thinks this difference alone made the Silver account an appropriate match for Mr H's circumstance when it has accepted that the Select account wasn't.

So, it seems to me that Mr H probably didn't want, didn't need and was unlikely to use the main benefits the Silver account provided. I don't think it was reasonable for Lloyds to recommend it to him.

*Lloyds told Mr H that the Silver account would improve his credit score and the chances he would get a loan or an overdraft*

Firstly, I would like to clarify that I think it's unlikely that buying the Silver account would improve Mr H's credit score, as the type of account a customer holds does not usually influence his or her credit worthiness. Lloyds has also told us that buying the Silver account would not affect its willingness (or otherwise) to arrange a loan or overdraft for Mr H; and I accept its position on this. However, the crux of Mr H's complaint is that he thinks Lloyds misled him into believing the opposite. His testimony about this has been clear and consistent throughout the case.

I'm satisfied that Lloyds told Mr H about the fees for the Silver account, and that it let him know that could have kept the Select account or gone back to a fee-free account. But for the reasons I have already given, I don't think that he wanted or needed the potential benefits of the Silver account. So, it certainly seems likely that Lloyds gave him some other reason to buy it.

Lloyds has denied it misled Mr H about the possible impact of buying the Silver account on his credit score, but has not given us a convincing alternative explanation about why Mr H would choose to buy it when he knew he didn't want or need its real benefits. So, I think that in this particular case Lloyds probably did mislead Mr H. In fairness to Lloyds, I doubt very much that it did this deliberately, but I'm satisfied that in this instance something went wrong with its usual sales practices. I do not know how or why this happened and after so many years have passed, I not will speculate on possible causes. This is something for Lloyds to investigate for itself if it so wishes.

So, in summary, I think that it was unfair of Lloyds to recommend the Silver account to Mr H. And I think that it probably misled him that buying the account would improve his credit score and his chances of getting a loan or overdraft. It follows that Lloyds should put things right for Mr H by paying him appropriate compensation.

### **Putting things right**

To put things right for Mr H, Lloyds should put him into the financial position he would have been in if it hadn't sold him the Silver account.

It should therefore:

- refund M H all the fees he paid for the Silver account,
- add interest to each of these refunds at the rate of 8% per year (simple) from the date Mr H paid the fee until the date it makes the refund (+).

(+) HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr H a certificate showing how much tax it has taken if he asks for one.

If Lloyds can show that Mr H gained financially from any banking benefits that came with the Silver account (for example, over the years, it *may* have provided savings on an overdraft), then it may deduct the relevant amount from the compensation worked out as above. If it chooses to do this, then it must set out its calculation clearly and simply for Mr H, so he can follow what it has done.

I would also like to add that the compensation Lloyds paid Mr H for mis-selling the Select account seems to have been fair and so it doesn't owe him any more money back in connection with that account.

### **My final decision**

For the reasons I have set out above, I am upholding Mr H's complaint that Lloyds Bank PLC mis-sold him Silver account. It should now pay him the compensation I have described above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 January 2021.

Steve Townsley

**Ombudsman**