

The complaint

Mr A complains that Lloyds Bank PLC closed his bank account earlier than agreed.

What happened

Mr A had a Lloyds current account with a £3,000 overdraft. From the beginning of 2020 Mr A's account was either over or very close to his overdraft limit. There were no regular transactions on the account, only daily overdraft charges. On 14 July 2020 Mr A spoke with Lloyds and advised he wasn't working and was in receipt of benefits payments. Mr A offered £10 a month, but the call handler said a minimum of around £250 would be required to reach a payment arrangement. Mr A confirmed he wasn't in a position to agree the arrangement and Lloyds placed the account on hold for 30 days. During the call, Lloyds said Mr A needed to call back before 14 August 2020 to see if there were other options for agreeing an affordable payment plan.

Lloyds sent Mr A a letter on 14 August 2020 that said he had until 28 August 2020 to make a payment and bring his balance within the overdraft limit. But Lloyds closed Mr A's account a few days after it wrote to Mr A. Mr A called Lloyds on 24 August 2020 but by that point, his account was closed.

Mr A complained and Lloyds sent him a final response. Lloyds agreed it had closed his account earlier than the date given in its letter and paid Mr A £200 to apologise. But, Lloyds said that its decision to close Mr A's account was correct as he wasn't able to agree an affordable payment plan or manage the ongoing overdraft charges.

Mr A referred his complaint to this service and it was passed to an investigator. They thought Lloyds had dealt with Mr A's complaint fairly and didn't ask it to do anything else. Mr A asked to appeal, so his case has been passed to me to make a decision.

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.

I can see Mr A has been through a difficult period and I understand his health has been poor. I can appreciate that Mr A was shocked to find out Lloyds had taken the decision to close his account on 18 August 2020, despite what its letter dated 14 August 2020 said. I need to decide whether Lloyds' decision to close Mr A's account and report a default on his credit file was the right thing to do.

I've looked at Mr A's account statements and can see it hadn't been used as his main account for some time. The only transactions showing were the daily overdraft charges followed by manual payments Mr A made to bring the outstanding balance back within the limit. But the last payment Mr A made was in April 2020 when he brought the balance within £10 of the overdraft limit. Within four days, the account balance again exceeded the overdraft limit and no further payments were made.

Businesses need to consider whether leaving an account open, and subject to overdraft charges, is the right approach for their customers. In this case, Lloyds wrote to Mr A in March 2020 to say it would close and default his account if it wasn't brought back within its limits and maintained. Whilst I understand Mr A did bring the account back within its limits at times, the balance was generally above the agreed maximum.

I've looked at Lloyds' contact notes and can see Mr A discussed his circumstances. Lloyds agreed periods of breathing space that stopped interest and charges being applied. But, Lloyds consistently said Mr A would have to reach an affordable payment arrangement to avoid closure of his account and the associated default on his credit file.

I've listened to Mr A's call with Lloyds on 14 July 2020. Mr A explained he wasn't working, was in poor health and had limited income. Mr A also said he was in arrears with rent. Mr A said he could afford to pay £10 a month towards the debt, but Lloyds said he would need to pay around £250 a month to stop his account closing. Mr A confirmed he wasn't in a position to do that so a 30 day hold was placed on his account. At the end of the call, Mr A agreed to call back before 14 August 2020 to discuss his account further and whether there was an option for a repayment plan. The call handler said that the 30 day hold was the final breathing space Lloyds could offer and that if an affordable payment arrangement couldn't be agreed before 14 August 2020 his account would be closed and a default registered.

Mr A didn't call Lloyds back before 14 August 2020. I agree that Lloyds sent a misleading letter that said he could make a payment by 28 August 2020 to avoid his account closing. But, I'm satisfied the information I've seen shows Lloyds had discussed Mr A's account with him and explained that without an affordable payment plan it would be closed. As Mr A didn't contact Lloyds within the period agreed during his call on 14 July 2020 and no payment plan was arranged, I think Lloyds decision to close and default his account was fair and reasonable in the circumstances.

As I've said above, I agree Lloyds sent a misleading letter to Mr A and made a mistake. But, I think the error Lloyds made was sending its letter dated 14 August 2020, not its decision to close the account. I understand how upset Mr A is at Lloyds' actions. But I'm satisfied that the £200 Lloyds paid fairly reflects the impact of its error on Mr A, so I'm not telling it to increase its offer. I'm sorry to disappoint Mr A, but as I'm satisfied Lloyds dealt with his complaint fairly, I'm not telling it to take any further action.

My final decision

My decision is that I don't uphold this complaint because Lloyds has already paid a settlement that is fair and reasonable in all the circumstances. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 April 2021.

Marco Manente
Ombudsman