

## **Complaint**

Mr G has complained that Lloyds Bank PLC (“Lloyds”) unfairly continued applying charges to his overdraft when he was in difficulty and shouldn’t have even been provided with the facility in the first place.

## **Background**

One of our adjudicators looked at this complaint and thought that Lloyds should have realised that Mr G’s overdraft had become unsustainable for him in December 2018 and so it needed to refund all the interest, fees and charges it added to Mr G’s overdraft from this point. Lloyds didn’t agree so the case was passed to an ombudsman for review.

## **My findings**

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Lloyds will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I also think Lloyds acted unfairly when it continued charging overdraft interest and associated fees when it not only renewed but increased Mr G’s overdraft in December 2018.

By this point, Mr G had been approved for a number of overdraft limit increases within the space of six months. And in December 2018 his limit was nine times what it stood at six months previously. Lloyds will be aware that making repeated requests for additional borrowing has long been considered an indication that a consumer may be in financial difficulty.

I’m also concerned that a cursory look at Mr G’s account statements show a significant amount of gambling. Bearing in mind the sheer number of transactions, I think it could be reasonably concluded that this is what the additional funds from the requested limit increases were for and I think this means that Lloyds ought to have realised Mr G was in no position to sustainably repay what he already owed within a reasonable period of time, let alone increased amounts.

So having carefully thought about everything, I’m satisfied that think that Lloyds should not only have refused to increase Mr G’s overdraft limit, but also stopped providing the overdraft and instead treated Mr G with forbearance. All of this means that Lloyds should have realised Mr G was experiencing difficulty, wasn’t using his overdraft as intended and shouldn’t have continued offering it on the same terms. Lloyds’ failure to react to Mr G’s overdraft usage and take corrective action means that I think it failed to act fairly and reasonably in this case.

Mr G ended up paying, or is being expected to pay, additional interest, fees and charges on

his overdraft and this ended up exacerbating his difficulties. So I think that Mr G lost out because of what Lloyds did wrong and that it should put things right.

### **Fair compensation what Lloyds needs to do to put things right for Mr D**

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr G's complaint for Lloyds to put things right by:

- Reworking Mr G's current overdraft balance so that all interest, fees and charges applied to it after the renewal in December 2018 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Lloyds should contact Mr G to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr G's credit file, it should backdate this to December 2018.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr G along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Lloyds should remove any adverse information from Mr G's credit file.

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

### **My final decision**

For the reasons I've explained, upholding Mr G's complaint. Lloyds Bank PLC should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 23 July 2021.

Jeshen Narayanan  
**Ombudsman**