

The complaint

Mr S complains that Lloyds Bank PLC (Lloyds) defaulted his credit card and overdraft.

What happened

Mr S had an overdraft limit of £2,000. In June 2019, Lloyds demanded repayment of it with the balance £2,136.62 debit. He had a credit card with a limit of £3,150. In August 2019, Lloyds sent a Notice of Default with the balance at £3,187.63 debit and made demand for repayment in September 2019. Defaults were registered on both accounts.

Mr S complains that he didn't get any letters that Lloyds sent him – to his address in Netherlands. He had to travel to another country to look after his mother, who sadly died in 2019. He only became aware of what had happened when he returned to the UK in April 2020. He hadn't been contacted by Lloyds by phone or email – this was unfair. He called Lloyds in May 2020 and agreed payments of £100 per month to his overdraft – and says he was promised a letter to confirm this, but nothing arrived, so he didn't pay anything. He wanted the fees and interest refunded and the defaults removed. Also, part of the debt should be written off.

In March 2020, Lloyds said letters had been sent to Mr S's address in the Netherlands, but no payments were received, and no contact was received. The overdraft fees were correctly applied. The defaults on both Mr S' credit card and overdraft would remain. In January 2021, Lloyds said the payment plan was agreed over the phone and no letter was to be sent. No payments had been received from Mr S in respect of the plan, and they'd written to him again. Lloyds said they'd be happy to discuss a partial settlement of Mr S' debt, but the defaults wouldn't be removed, and would remain on his credit file for six years.

Mr S brought his complaint to us. Our investigator said Lloyds had acted reasonably. Mr S' credit card had fallen into arrears in April 2019, when direct debits had been returned unpaid. Regarding the overdraft, she agreed that it would've been better if Lloyds had written to Mr S – but he hadn't made any payments to the account either. On both the credit card and overdraft, Lloyds had sent Mr S many letters to his Netherlands address. It was reasonable to assume that Mr S was aware of his debts when he left to look after his mother.

Mr S asked that his complaint be looked at by an ombudsman.

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.

The crux of Mr S' complaint is that he wasn't aware of the position on his credit card or overdraft – Lloyds should've contacted him by phone or email to let him know the position, rather than relying on letters to his Netherlands address. He returned to the UK in April 2020 – when he found out what had happened on his accounts. And – he didn't make any payments to his overdraft because he hadn't received the letter from Lloyds confirming their agreement to accept payments of £100 per month in May 2020.

I can see from Mr S's statements that the last payment to his overdraft was in February 2019. The last payment to his credit card was in April 2019. After then, direct debits to it were returned unpaid. I can also see that Lloyds sent him several letters. On his credit card, Lloyds wrote four letters saying - Mr S was in arrears with no payments received - in June 2019, July 2019, September 2019 and October 2019. The Notice of Default was sent in August 2019 – with the balance at £3187.63. On Mr S' overdraft, arrears letters were sent in May 2019 and July 2019 – in addition to the letter of demand in June 2019. All the letters asked that Mr S get in touch. Lloyds' obligation was to write to Mr S at his address which they had on file – which I can see that they did. Mr S says that he would've expected that Lloyds did more than that – and contacted him by phone and/or email, but they didn't. I can see that would've been ideal, but I have to say that Lloyds complied with the Consumer Credit Act requirements – which was to send letters to Mr S' address held in their records – which they did.

I can see that Mr S was using and paying into his accounts up to February 2019 (current account) and April 2019 (credit card) – when the last payments were made. After that time, the accounts became dormant, other than interest and fees being applied. So – I must reasonably assume that Mr S was aware of his debts and obligations. And it would've been reasonable to expect him to continue to make payments to them, even if he wasn't receiving his post. Payments were being made by direct debit to his credit card – but these stopped. I haven't seen why that was, other than there were several direct debit payments returned unpaid before they stopped altogether. He could also have checked his accounts using phone banking or internet banking – I've seen nothing to see that he did. And – he could've advised Lloyds of his situation and asked them to send them his letters to another address, or at least ask them how to access his accounts- but he didn't.

Mr S called Lloyds in May 2020 and agreed to pay £100 per month towards his overdraft debt. He says Lloyds told him they'd write to him to confirm the arrangement but didn't. Unfortunately, the call cannot be located. Lloyds say they didn't write in those circumstances. Mr S says he didn't make any payments because he didn't get a letter. But – I think it's reasonable to expect Mr S to have made, at least some payments that he'd agreed to – but he didn't.

In summary, in an ideal world – I can appreciate that Lloyds might have tried to contact Mr S in other ways, as Mr S has said. But the fact is that Lloyds complied with the regulations here. And – equally, I think Mr S should have known that he had borrowing with Lloyds that he was responsible for, and it's reasonable to have expected that he should've made efforts to deal with his debts.

So – on reviewing Mr S's complaint – I think Lloyds acted fairly and reasonably. I can see that Mr S feels strongly and will be disappointed by my decision. But - I won't be asking that Lloyds do anymore here.

Lloyds have told us that they are still willing to discuss a possible partial settlement of Mr S' debts – but this would mean that any agreement will be noted on his credit file. If Mr S wishes to pursue this option, he should call Lloyds to see if there's an agreement that can be reached.

(continued)

My final decision

I do not 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 2 August 2021.

Martin Lord
Ombudsman