

## **The complaint**

Mr P complains that Lloyds Bank PLC made mistakes dealing with his fraud claim on his credit card account and this led to a late payment marker being added to his credit file.

## **What happened**

Mr P reported transactions he didn't recognise made through an online payment service. He believed that these had been refunded and his account closed. But two payments were re-debited and resulted in the late payment marker being added before they were fully refunded. He says that this came a time when he had to move home and change his car and resulted in financial loss for him.

Lloyds has dealt with this complaint through a number of final response letters as follows. On 28 May 2020 it said to Mr P that the third-party online payment service had refunded the payments to the account. This resulted in a credit on the account and this was sent to Mr P. It was confirmed that his account had been closed – which had been at his request. On 11 August 2020 it said that it had re-debited two of these payments totalling £25.46 in error on 1 June 2020. Interest had been added and it said that it should have arranged for the amount resulting of £26.10 to be refunded then. This didn't happen until 6 August 2020 and it said that at the time there were no late payment markers and that it would monitor the account. It sent Mr P compensation of £100. On 2 November 2020 it said that a late payment marker on the account had been removed by 22 October 2020. It believed this might have been added due to the interest on the earlier disputed amount before it was recredited and it apologised for not having arranged an interest waiver. It paid Mr P £50 compensation and £10 in call costs by cheque saying that this was for poor service when he telephoned, had been kept on hold and was then cut off. On 4 November 2020 it told Mr P it wouldn't be paying any further compensation for the impact of the late payment marker. It said that it had removed the marker and replaced it with a dispute marker already. And that it had to report accurate information to the credit reference agencies.

Our investigator recommended that the complaint be upheld, and Mr P paid a further £250 in compensation making a total of £400 (with in addition the £10 he had been paid for call costs). He said that the issue was now compensation as Lloyds had refunded all the disputed payments and removed the adverse credit information. Lloyds had accepted it made an error in re-debiting the payments. And this had been compounded by interest being added to the amount. He said he could only look here at the impact on Mr P and not on his wife who wasn't the account holder.

Mr P said that they had to move from their rented accommodation in August 2020 and pay a deposit on a new property. He also said it was necessary to change their car as it wasn't working properly. As a result of the late payment marker he was unable to access finance elsewhere having tried to increase his overdraft on his Lloyds current account and apply for a credit card again. As he was unable to raise money for the deposit on the new rental property he didn't bother trying to finance the vehicle. Instead he paid for this out of money he took out of his pension. And a family member was also prepared to help him with money if he couldn't get this in time for the deposit.

Our investigator said that without clear evidence it is difficult to conclude that the late payment marker was the sole reason why Mr P was declined for credit. And a credit application can be complex, and decisions made against a wide variety of criteria. Mr P was caused inconvenience and some embarrassment at having to approach a family member. But he was able to secure replacement accommodation.

The issue dragged on longer than it needed to. And this would have added to the distress and inconvenience caused. As would finding out there was adverse information recorded against him. So, our investigator thought that the compensation wasn't sufficient. He noted Mr P had raised another issue about the refund of a deposit of £40 for a holiday and he said that he would need to raise that with Lloyds first before this service could look into this.

Lloyds didn't agree, and it said that the compensation was excessive. It said that there was only one late marker showing on the credit file for September 2020 although it accepted that it had promised to monitor the account. And this marker was removed in October 2020. It thought that the amount already paid was more in line with what the impact of what happened.

Mr P didn't agree that this was sufficient compensation. He said that a 'corporate giant' like Lloyds needed to be brought to task and he asked who else would do this. He said its indifferent attitude had affected his life and he would pursue this further. He said that he took over £40,000 out of his pension and that he can't put this back. He had wasted a significant amount of time over 14 months in dealing with this. And he wanted realistic compensation. He said he didn't cash the cheque for £60 and that he hasn't been receiving refunds that should have been paid back to Lloyds – now he reports this happening for another transaction of £53.50.

### **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 need first to say that I won't be dealing with issues that haven't been addressed in a response from Lloyds. And I set out above the specific ones I've covered here. If Mr P is due further refunds then as our investigator has said he needs to raise that first with Lloyds. I also need to say that we provide informal dispute resolution and our role isn't to punish businesses but to address the impact of what happened for Mr P.

I am sorry to hear Mr P has been the victim of fraud and that a number of payments were made using an online payment service, despite his efforts to address this, following similar problems in 2019.

He reasonably believed that this had been dealt with not least because having paid his card account in full including these amounts he was then given a refund when the account was closed. In error two of the disputed payments were applied again and with interest his statement showed that he needed to pay £26.10 by 20 July 2020. He didn't do so for understandable reasons. And Lloyds accepted that this was its error and credited the money on 6 August 2020. That wasn't sufficient to stop a small amount of interest on the 'late' payment being debited and this wasn't refunded which seemed to contribute to there being a late payment marker.

Lloyds has given information to this service about those payment markers. It originally said to our investigator that these *"were initially applied because Mr P[...] refused to pay but we should have removed them sooner once fraud confirmed. Hence payments made on second complaint and removal agreed"*. It now says that the marker was only in place for three

weeks relating to a small amount of additional interest. I'm not satisfied given what has been said and from what I've seen that there was no earlier marker from 20 July 2020 possible at least until the account balance was corrected on 6 August 2020.

I need to consider the impact on Mr P of what happened. I think it reasonable to work on the basis that he was given any appropriate notice to move out of existing accommodation. Had he not been that was something to take up with his landlord. He's shown he needed to pay a deposit on a new property of just over £2,000 at the relevant time. He said he couldn't raise this in any other way through finance. But as our investigator has said he's not got evidence to show he was turned down. And he says he had asked a family member to make arrangements to cover this amount. He also decided he needed to change the car at this time. He didn't try to apply for finance so I agree with our investigator that it's not possible to say that he couldn't have otherwise obtained this – or that any marker would be the sole reason he couldn't. I don't know if he had the option of deferring such a large purchase while any issue he believed down to Lloyds was addressed. In the event it was his choice to withdraw money from his pension fund. He as a result had the benefit of the car and didn't pay any finance interest. I don't consider I can reasonably hold Lloyds responsible for any net financial consequences even if these could be fairly calculated.

### **Putting things right**

I agree that Mr P was caused needless distress and inconvenience. A mistake was made, his credit record was affected, and he had to contact Lloyds on a number of occasions shown through the further final responses. The amount of compensation is a matter for my judgement, and this reflects the impact I've identified and isn't designed to be punitive.

I think that £400 in total is fair. Lloyds sent £100 to his account. If he didn't cash the cheque for £60 which included the further £50 offered then Lloyds should cover that amount too to ensure he receives a total of £410 including the £10 for call costs. I appreciate Mr P will remain disappointed by this and if he doesn't accept my decision remains free to pursue this in court subject to any relevant time limits.

### **My final decision**

My decision is that Lloyds Bank PLC should pay Mr P further compensation so that he receives a total of £410 including the allowance for call costs as I explained above. It should net anything it has already paid him from this amount.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 27 August 2021.

Michael Crewe  
**Ombudsman**