

Complaint

Mr S is unhappy with what Lloyds Bank PLC ("Lloyds") has done to put things right in relation to his complaint about his overdraft charges.

Background

Mr S also complained about Lloyds using money from another of his accounts to repay his overdraft. But this decision is only looking at Mr S' concerns about his overdraft charges. When the complaint was referred to us Lloyds agreed to refund all the interest, fees and charges it added to Mr S' account from November 2018 onwards. One of our adjudicators looked into Mr S' concerns and thought that what Lloyds had agreed to do to put things right was fair and reasonable in the circumstances of the case. Mr S disagreed and so the complaint was passed to an ombudsman for a final decision.

My findings

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

Having carefully considered everything, I think that what Lloyds has already agreed to do to put things right for Mr S is fair and reasonable in all the circumstances of his complaint. I'll explain why I think this is the case. Lloyds agrees that it ought to have realised that Mr S' account was in difficulty and that it shouldn't have added any interest, fees and charges to Mr S' account from November 2018 onwards. And it has agreed to refund all the interest, fees and charges added it to Mr S' account from then in order to put things right.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been given the credit they shouldn't have. However, that's not possible in cases where funds that shouldn't have been advanced were advanced because typically those funds will have already been spent. So we have to look at a way of asking a business to put things right in a fair and reasonable way. And where a business provided, or continued to allow a consumer to use, a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges.

This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable. And if those interest and charges were paid also add 8% simple interest per year. That's what Lloyds has agreed to do here, so it has agreed to do what I'd normally expect a firm to do in these circumstances. That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provide credit it shouldn't have, we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Mr S says Lloyds should do more. As I understand it, Mr S wants a payment for the distress and inconvenience he says Lloyds' actions caused. Mr S hasn't been specific about how much he believes Lloyds should pay him or about the impact its actions had. He's merely said that the bank caused mental anguish. Nonetheless, I do think that he might be referring to the process of attempting to take corrective action on his overdraft in 2021.

I've thought about what Mr S has said. However, all parties are in agreement that Mr S' overdraft had already become demonstrably unsustainable by November 2018. And this would have, in any event, resulted in Lloyds beginning the process of taking corrective action in the way that it did in August 2021 – albeit it would have taken this action earlier. After all while withdrawing a facility and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the overdraft debt. Lloyds acknowledges it should have stopped adding interest from November 2018 and will now adjust Mr S' outstanding balance to reflect this.

So as I'm satisfied that Lloyds ought to have begun the process of taking corrective action in relation to Mr S' overdraft earlier than it did, I don't think that its actions in doing so sometime later warrant an award for distress and inconvenience here. Equally as Mr S hasn't provided me with anything else to suggest that Lloyds' actions caused distress and inconvenience above the normal nuisances of everyday life, I'm not persuaded a further award for distress and inconvenience is appropriate for any other reason either.

Overall and having considered everything, while I do appreciate Mr S' strength of feeling on this matter, I think that what Lloyds has already done to put things right for him is fair and reasonable and it hasn't treated him unfairly in relation to his overdraft complaint. And so I don't think that Lloyds needs to do anything further. I realise that this will be very disappointing for Mr S. But I hope that he'll understand the reasons for my decision and at least feel that his concerns have been listened to. I now leave it to Mr S to decide whether he wishes to accept Lloyds' offer.

My final decision

For the reasons I've explained, I'm satisfied that what Lloyds Bank PLC has already agreed to do to put things right for Mr S is fair and reasonable in the circumstances of his complaint. So I'm not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 March 2022.

Jeshen Narayanan
Ombudsman