

The complaint

Miss I complains that Lloyds Bank PLC treated her unfairly. She says her accounts were wrongly referred to its collections department and that an account application was wrongly declined.

What happened

Miss I received a letter in August 2019 from Lloyds' collections department. It said she had contacted it and, as a result, it had stopped fees on her overdraft. It asked Miss I to get in contact with details of her income and expenditure and warned her that her credit reference file might be affected.

Miss I knew her accounts weren't overdrawn, so she contacted Lloyds. Miss I had a joint account with a third party who had told that bank he was in financial difficulties. As a result, Lloyds referred both parties' accounts to its collections department which, it said, allowed it to offer Miss I support if needed. It said her credit file had not been affected. It said her application for an account could be declined for a number of reasons, including if her account, or someone she is financially associated to, has, or had an account with its collections department. It suggested Miss I speak with one of its advisors before making an application.

Lloyds accepted it should have provided better service when Miss I complained and that she was given the wrong information when she was told adverse information had been recorded on her credit file. It paid her £86 to cover the cost of her calls and the inconvenience she'd been caused.

Miss I referred her complaint to us. She explained her vulnerabilities at the time and the impact Lloyds' mistake had had on her.

Our investigator didn't think Lloyds should have referred Miss I's sole accounts to its collections department. And that it made a mistake when it wrote to her to say that her account was in an unarranged overdraft. He thought Lloyds should pay Miss I an additional £100 compensation and remove any internal and external negative markers that had been added.

Lloyds said no adverse information had been recorded on Miss I's credit reference file. It said any internal information would be regularly reviewed and wouldn't affect Miss I going forward. It agreed to pay the additional £100 recommended by the investigator and it credited Miss I's account.

Miss I didn't agree that the additional £100 was enough to compensate her for the emotional distress Lloyds caused which led to her having to undergo an emergency medical procedure. And she said there was adverse information recorded on Lloyds' internal files for around a year, which would have been shared between all Lloyds' brands.

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 joint party to one of Miss I's accounts had his accounts referred to Lloyds' collection department. In the circumstances, I think Lloyds acted fairly and reasonably in referring the joint account to its collections department as well. I say this because of the agreed terms and conditions which cover the right of set off and with which both parties are familiar.

But the right of set off did not extend to Miss I's sole accounts. The joint account had been well managed and was not overdrawn. So Miss I did not owe Lloyds any money. And she'd given Lloyds no indication that she was in any financial difficulty. Her sole accounts were all in credit with no evidence that she needed any support from Lloyds. I do not find Lloyds acted fairly or reasonably when it referred Miss I's accounts to its collections department. In its final response to her complaint, Lloyds said her accounts would exit its collections system. Although this seems to be because the joint account holder removed himself from the joint account, rather than because it accepted it had done anything wrong.

Lloyds sent Miss I a letter saying her current account had an overdrawn balance when it didn't. And suggesting that she'd been in touch with it when she hadn't. It sent another letter around a month later saying that it had suspended its fees whilst she was in financial difficulties and that it was now charging overdraft fees again. I find these letters should not have been sent. As noted above, Miss I had not experienced any financial difficulties, her accounts were in credit, and her loan payments were up to date.

During this time, Miss I wanted to open a second current account, but her application was declined. Lloyds said it wasn't obliged to open an account and that it may have been declined for a number of reasons. From what it's told us, and from the information it held in its records, it looks more likely than not that the account application was declined because Miss I's accounts had been referred to its collections department. I've found her accounts shouldn't have been referred. It follows that I find her account application was unfairly declined.

I've found Lloyds made some mistakes and that it treated Miss I unfairly. I need to consider what it needs to do to put things right.

I don't find Miss I made a financial loss as a result of Lloyds' actions. And I don't find there's any action Lloyds needs to take to put things right. I say this because Miss I's accounts were removed from its collections department after the joint account was transferred into Miss I's sole name; I'm satisfied that Lloyds didn't record any adverse information on Miss I's credit file; and I can't order Lloyds to accept Miss I's account application.

But Lloyds does need to compensate Miss I for the distress and inconvenience its mistakes caused Miss I.

Lloyds has already paid Miss I £36 to compensate her for the cost of her calls, £50 for being given the wrong information about her credit file, and £100 following our investigator's conclusion that it was upsetting for Miss I to receive the correspondence from Lloyds about her account being overdrawn and her accounts being referred to its collections department.

I've considered this very carefully. Miss I was upset to receive the letters and worried about the impact the referral of her accounts to the collections department would have on her. This was of particular concern to her because of the nature of her employment. But, taking

everything into account, I think £150 for the distress and inconvenience caused, plus compensation for the cost of her phone calls, is fair and reasonable.

In coming to that conclusion, I have considered the medical emergency Miss I suffered and the longer term consequences – I will not detail that here for confidentiality reasons, but I want her to know that I've fully understood what she's told us. It would always be difficult for me to say that Lloyds could be held directly liable for such a difficult and complicated medical situation, like the one Miss I has told us about. Miss I has provided a letter from her GP which sets out what happened, in support of what she's told us. I appreciate her sharing this sensitive information and I sympathise with the clearly distressing experience she went through. I'm sorry to disappoint Miss I, but what the GP has said does not allow me to conclude with certainty that the medical difficulties Miss I faced were directly and solely caused by Lloyds' actions. But this isn't to say that Lloyds' actions here wouldn't have had an impact on C at what was already a difficult time. However, whilst I have great sympathy for what she went through, I don't find I can fairly increase the compensation award.

My final decision

For the reasons I've explained, my final decision is that Lloyds Bank PLC should pay Miss I an additional £100 compensation. I understand it has already credited this sum to her account, so I don't require it to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 19 May 2022.

Elizabeth Dawes
Ombudsman