

The complaint

Mr I complains that Lloyds Bank PLC recorded a default on his credit file. He says he had a direct debit set up, but Lloyds didn't collect his monthly loan payments.

The complaint is brought on his behalf by a family member.

What happened

Mr I says there was a mistake made by Lloyds which meant his direct debit wasn't collected for six months. He says he only found this out when he started receiving contact from Lloyds' collections department. He couldn't pay the arrears immediately and he says Lloyds recorded a default. He says the default has affected his ability to obtain finance and that Lloyds won't speak to him about the account.

Lloyds said it was Mr I's responsibility to make the monthly payments and that it had written to him when the payments weren't made which gave him the opportunity to bring the account up to date. It said it wouldn't reinstate the account or remove the default from Mr I's credit file.

Our investigator didn't recommend that the complaint should be upheld. He couldn't conclude that Lloyds had done anything wrong when it applied the default.

Mr I didn't agree. He responded in some detail giving information about his vulnerabilities and his personal circumstances in 2019. He disagreed with Lloyds' record of his conversations. In particular he said that:

- He contacted Lloyds in May 2019 and agreed a three-month payment break.
- During a call on 23 August, it was agreed that interest and payments would be frozen; but they were frozen on his sister's account instead.
- He visited a branch several times to try to set up the direct debit. He wasn't told he could make a payment by other means.

Our investigator didn't think this changed the overall outcome.

Mr I and his representative provided further information, but this did not change the investigator's conclusions. So the complaint has been passed to me.

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.

Firstly, I'm aware that I've summarised this complaint in far less detail than the parties and in my own words. There is a considerable amount of information here and I'm not going to respond to every single point made by the parties involved. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Secondly, Mr I has provided details of what happened during his visits to a branch with his sister and the impact the bank's service had on her. But I can only consider Mr I's complaint about the service which was provided to *him*. Mr I's sister has made her own complaint about the service she received. So I won't make any further comment about that here.

Having carefully considered all the evidence and information, I find I have come to the same conclusion as our investigator for the following reasons:

The loan account was set up in December 2018 and the first five monthly payments were paid on time by direct debit. The direct debit payment for June 2019 was rejected. I've not seen evidence to show that Mr I contacted Lloyds in May or June 2019 to explain his circumstances, or that Lloyds agreed a payment holiday.

When a payment isn't made on time, I would expect Lloyds to contact the customer and not to keep trying to collect the payment, unless the customer agrees. In Mr I's case, he originally told us Lloyds made a mistake in not collecting the direct debit. But he later told us that he didn't have any money in his current account. This will be the reason why the direct debit failed. Had Lloyds continued to attempt to collect the monthly payments by direct debit, it's likely these would also have failed and that Mr I might have incurred charges.

Lloyds attempted to contact Mr I by phone and SMS message, but the number it had in its records was invalid. But I'm satisfied it made Mr I aware of the missed payments because I've seen evidence of the letters it sent him.

Mr I says he visited a bank branch to try to sort things out on several occasions. Unfortunately, I can't say with any certainty what was discussed during his visits. It seems that Mr I asked for help in putting the direct debit arrangement back in place. But Lloyds' staff would not have been able to help him with that because his bank account wasn't with Lloyds. I can see Mr I was given some wrong information because he was told he had to have a current account with Lloyds to service his loan account. Lloyds paid him £25 by way of an apology which I consider to be fair and reasonable.

I find there may have been a misunderstanding during the conversations Mr I had with branch staff. But I find the letters from Lloyds' collection department were reasonably clear that Mr I should contact him if he was having difficulty making payments.

I can see Mr I first contacted the collections department on 3 August 2019 and asked for a call back the following day. But Lloyds' attempts to contact him were unsuccessful so a payment plan for the arrears couldn't be agreed. And I can see Mr I contacted the collections department again on 12 September and 1 November. I'm satisfied that on each occasion Lloyds fairly put a hold on its collections' activity to allow Mr I some breathing space to think about how he could repay the arrears.

By mid-October 2019, no payments had been made, the arrears had increased to around £1,800 and a repayment plan hadn't been agreed. I don't think Lloyds acted unfairly or unreasonably in sending Mr I a notice of default. I say this because he'd known for several months that payments hadn't been made and he'd had time to provide details of his income and expenditure to Lloyds and to agree how he'd repay the arrears.

Mr I told the bank at the beginning of November that he'd be able to repay the arrears. But then it didn't receive further contact from him. It sent him another letter on 20 December

asking Mr I to contact it for help in repaying the arrears. But, as no further contact was received, I don't think Lloyds acted unreasonably in defaulting the account in January 2020 and recording this on Mr I's credit file.

Mr I says that during the call on 23 August, it was agreed that interest and payments would be frozen; but they were frozen on his sister's account instead. As I've already set out, Mr I's sister's complaint is being considered separately by this service. But I can see from Lloyds' records that interest was frozen on Mr I's loan account from August 2019 until the account was defaulted. I'm not persuaded that Lloyds also agreed that payments would be frozen – Mr I was still contractually obligated to make the monthly payments.

I'm not unsympathetic to the situation in which Mr I finds himself. But as I've not found Lloyds has acted wrongly, I can't order it to remove the default.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 25 March 2022.

Elizabeth Dawes
Ombudsman