

The complaint

Mrs B has complained that Lloyds Bank Plc mis-sold her a packaged bank account, for which it charged a monthly fee and provided several potential benefits in return, in 2012 and then refused a request she made to switch to a fee-free account in 2013. She made this complaint (the first complaint) to Lloyds during 2018.

Later on, Mrs B also complained that Lloyds should have switched her to a fee-free account in 2018 when it was investigating her first complaint, but it didn't (the second complaint). As a result of both complaints, Mrs B thinks Lloyds should refund her all the fees she paid for the packaged account from 2012 onwards and add interest.

(Lloyds has told us that it switched Mrs B to a fee-free account in March 2020. There doesn't seem to be any dispute about this date and I have taken it to be correct).

What happened

After Mrs B brought her first complaint to us, Lloyds objected to us investigating it. Lloyds thought that by the time Mrs B brought it to us, the time limits that determine which complaints we can consider had passed. Another ombudsman considered Lloyds' objections and agreed that Mrs B had brought the first complaint to us too late. Consequently, we have not considered the first complaint any further.

There has not been any dispute that Mrs B brought her second complaint (that Lloyds should have switched her to a fee-free account in 2018) within the time limits.

I previously sent Mrs B and Lloyds a provisional decision on the second complaint. In that provisional decision, I set out the background and circumstances of the complaint and I explained that I thought Lloyds had not acted fairly. I invited both parties to send me any further comments they wanted to make before I made a final decision. The period of time I allowed for this has now passed. Lloyds has said it accepts my provisional decision and has offered to pay Mrs B some compensation. However, Mrs B has told us that the amount of compensation it has offered "*doesn't reflect the time (she) invested in the complaint*". She wants Lloyds to pay more.

During our investigation into the second complaint, I listened to recordings of four phone calls between Mrs B and Lloyds where, amongst other things, she said that Lloyds had charged her "*extortionate*" interest for an overdraft and misled her about the possibility of having a loan rather than an overdraft. Lloyds told her that it would look into those concerns separately. I do not know what happened about those concerns. I have not considered them here. So, to avoid any confusion, I would like to state that this decision *only* relates to Mrs B's complaint that Lloyds should have switched her to a fee-free account when she complained that it had mis-sold her the packaged account in 2018 (the second complaint). It does not cover any other matter.

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.

We've explained how we handle complaints about packaged bank accounts on our website, and I've used this approach to help me to decide what to do about this case. I've looked into everything that Mrs B and Lloyds have told us or sent us about the second complaint, and I've decided to uphold it. I'll explain why below.

As the only remaining point of dispute between Mrs B and Lloyds is about how much compensation Lloyds should pay, I will first include an extract from my provisional decision which explains why I am upholding the second complaint. I'll then explain why I think the compensation on offer is reasonable.

Extract from my provisional decision

Firstly, I would like to explain that when a customer complains that a bank mis-sold a packaged bank account, we do not expect the bank to change the customer's account *automatically* to one without fees. This is because customers' circumstances can change and over time and they can come to rely on some of the benefits which packaged accounts provide. However, we do expect banks to let customers know what is happening and to give them reasonable choices.

Lloyds has sent us copies of two letters which it wrote to Mrs B during 2018 and it seems to have met these expectations. The first letter was dated late May 2018 and towards the end it said, "*in light of your comments...it is necessary for you to review which account is right for you....*". The letter included details of Lloyds' fee-free accounts (and others) and outlined how Mrs B could change accounts if she so wished.

Lloyds sent the second letter in July 2018 and amongst other things it said "*....we asked you to review your account....we can see that you have not changed (it).... we assume you are happy with (it)*". The letter then went on to say that Mrs B could still "*discuss moving to an account without a monthly fee*" and outlined how she could get in touch to have that discussion.

Mrs B has told us that she didn't receive some of Lloyds' letters at the time she should have. But I'm satisfied that Lloyds sent the above two letters to the correct address and I understand that it also sent Mrs B further copies. So, I think that up to July 2018 Lloyds had treated Mrs B fairly with respect to the second complaint. However, Mrs B continued to call Lloyds about her concerns, as she was fully entitled to do, and after July 2018 Lloyds seems to have made two significant errors; one where it failed to act on a reasonable request from Mrs B and one where it seems to have sent her potentially misleading and confusing information. I have described these separately.

Lloyds failed to act on a reasonable request from Mrs B

Between May 2018 and October 2020, Mrs B had at least four phone conversations with Lloyds. I have listened to recordings of these calls. The third was in November 2018 and seems particularly relevant to this complaint. The call lasted over twenty minutes and Mrs B mentioned three times that she wanted to close the packaged account.

- First, she said: "*I have tried to close the account, but I haven't been able to...*".
- A couple of minutes later she said: "*I enquired to get the fee-account closed but you wouldn't let me...*".
- And a bit later she said: "*I've tried and tried and tried to close (the packaged) account*".

but I've never had the opportunity...".

I acknowledge that none of these comments amounts to a direct request or instruction from Mrs B to switch her account then and there, but I think any reasonable interpretation of them would conclude that she didn't want the packaged account. To me, she was doing pretty much what Lloyds' letter from July had asked her to do – getting in touch to discuss (and almost definitely arrange) to move to a fee-free account. However, Lloyds did not acknowledge this in any way. It did not check or clarify anything with Mrs B or tell her how to change accounts or arrange to do it for her.

Given the strength, clarity, and repeated nature of Mrs B's comments, I do not think it was reasonable for Lloyds to take no action. Had it entered into any meaningful dialogue with Mrs B, it seems highly likely to me that she would have opted to switch to a fee-free account.

Lloyds sent Mrs B misleading and confusing information

In March 2021, Lloyds wrote a further letter to Mrs B following further exchanges about her complaints. In this letter, Lloyds referred back to the first of the four phone calls I mentioned above, from May 2018. The letter said: "*as part of this phone call you would have been advised that we would only look to downgrade your account if we agreed with your complaint*". However, I have listened to the recording of the call and it doesn't seem to me that Lloyds gave such advice. Furthermore, I think the letter misses the main point and is potentially misleading. It would have been upto Mrs B, not Lloyds, to "*downgrade*" her account.

Of course, if Lloyds had acted fairly in November 2018 then the need for this letter would probably not have arisen, so it's arguable that it makes little significant difference to the main substance or outcome of this complaint. However, it may well have confused and misled Mrs B and delayed matters for no sound reason.

Why I think the compensation on offer is reasonable

At the end of my provisional decision, I said that if I finally upheld Mrs B's complaint I would tell Lloyds to put her into the financial position she would have been in if it had switched her to a fee-free account by the end of November 2018. I said it should do this by refunding her the relevant fees and adding interest. I said that if Lloyds could show that Mrs B had gained financially from any banking services that came with the packaged account, then I would allow it to deduct the appropriate amount from the compensation worked out in this way. This was the main part of the compensation. It reflected our usual approach to compensation in most package bank account complaints that we uphold.

In this particular case, I said that depending on the responses I received to my provisional decision, I may consider adding a small amount to this compensation for the way Lloyds sent Mrs B misleading and confusing information.

Lloyds has said that it will pay the "*fees and interest*" part of the compensation in the way I described in my provisional decision and will add £100 for sending Mrs B misleading information. I think this is a fair and reasonable way to put things right for Mrs B. I am not going to tell Lloyds increase this amount.

For clarity, I will repeat the full details of the compensation Lloyds should pay to put things right.

Putting things right

As I have set out above, to put thing right for Mrs B, Lloyds should firstly put her into the financial position she would have been in if it had switched her to a fee-free account by the end of November 2018.

It should therefore:

- refund Mrs B all the monthly fees she paid for the packaged account after 30 November 2018,
- add simple interest to each of these refunds at the rate of 8% per year from the date Mrs B paid the fee until the date it makes the refund (+).

(+) HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mrs B a certificate showing how much tax it has taken if she asks for one.

If Lloyds can show that Mrs B gained financially from any banking services that came with the packaged account (for example, she may have saved some interest if she overdrawed the account during the relevant period), then it may deduct the appropriate amount from the compensation worked out as above. If Lloyds chooses to do this, then it must set out its calculation clearly and simply for Mrs B, so she can follow what it has done.

Lloyds should then add the £100 it has already offered to Mrs B to compensate her for the misleading information it sent her.

My final decision

For the reasons I have set out above, I am upholding Mrs B's second complaint about Lloyds Bank PLC. It should now put things right for her by paying her the compensation I have described.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 13 May 2022.

Steve Townsley
Ombudsman