

## **The complaint**

Mr M complains that Lloyds Bank PLC agreed a payment plan for the arrears on his loan but then closed his account and recorded a default on his credit file.

## **What happened**

Mr M had a loan with Lloyds. In early 2020, he contacted them. He'd lost his job and his income had been impacted as a result of the effects of the global pandemic. Lloyds agreed deferral of his loan repayments under the FCA's guidance.

When the payment deferral ended, Mr M contacted Lloyds again. His situation hadn't improved, and he needed further support. Lloyds reviewed Mr M's income and expenditure which confirmed he didn't have a surplus to meet his contractual loan repayments.

Over the course of the following year, Lloyds agreed various 30-day hold periods and three-month 'nil payment' plans in an effort to help Mr M. The last of these ended in August 2021.

Mr M contacted Lloyds in October 2021. His financial situation had improved, and he was now able to make his contracted monthly loan repayments. But he needed to agree a payment plan to repay the arrears that had built since early 2020. Lloyds agreed a payment plan during the call with Mr M.

Mr M then received a call from Lloyds. They told him they couldn't proceed with the payment plan. They said his loan was in default and would be closed and transferred to their recoveries department. They said this process couldn't be stopped. They also confirmed that the default was being registered on his credit file and would remain in place for six years.

Mr M wasn't happy with this. Particularly as Lloyds had verbally agreed a plan for his arrears. So, he complained. He thought Lloyds should cancel the default process, correct his credit file, and reinstate the loan and the payment plan agreed for the arrears.

Lloyds explained they'd sent letters to Mr M in August, September and October 2021. They'd asked him to contact them following expiry of his previous payment plan, but Mr M hadn't contacted them. Lloyds also said they'd sent a default notice. But Mr M said he hadn't received those letters. Lloyds apologised that Mr M had been incorrectly told a payment plan could be agreed and paid compensation of £50.

Mr M wasn't happy with Lloyds response to his complaint. He said he hadn't received any of their letters or any phone calls, so wasn't aware they'd put his loan into default. He said he'd made the effort to contact Lloyds and discuss and agree a payment plan for his arrears. He thought Lloyds were suggesting he wasn't willing to repay what he owed, which was not the case. So, Mr M decided to refer his complaint to this service.

Having investigated Mr M's complaint, our adjudicator didn't think Lloyds needed to take any further action. The adjudicator didn't think Lloyds had acted unfairly or unreasonably when they placed Mr M's loan in default and recorded this at the credit reference agencies.

Mr M didn't agree with our adjudicator's findings. He didn't think Lloyds had sent him the letters they said they had, so it wasn't his fault he wasn't aware of the situation. He also thought Lloyds should've called him before placing his loan in default.

As an agreement couldn't be reached, Mr M's complaint has been passed to me to consider.

## 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.

There are several documents that have been provided by both Mr M and Lloyds. These include copies of letters and Lloyd's file notes recorded each time they had contact with Mr M. I've considered these in detail and whether they support what Mr M and Lloyds have said here.

From what I've seen and what Mr M has told this service, it's clear he did suffer financially. And I believe that much of Mr M's experiences were a direct consequence of the effects of the global pandemic during 2020 and 2021. I do appreciate this was a very difficult time for him. Throughout that period, Mr M continued to make efforts to address his problems and communicate in an open and co-operative way with Lloyds. While Mr M's challenges undoubtedly caused him ongoing distress and concerns, I think he adopted the right approach with Lloyds.

In early 2020, Lloyds agreed to defer Mr M's loan repayments. The support they gave appears to meet the requirements set out in guidance issued by the Financial Conduct Authority (FCA) at that time. But that guidance was limited in terms of how much support Lloyds could provide.

In situations where support under the FCA's special guidance has been exhausted, Lloyds would be expected to consider alternative forms of forbearance. The key rules and standard that apply are set down in the FCA's Consumer Credit Sourcebook ("CONC") Section 7. These include:

- Suspending, waiving or cancelling any further interest or charges
- Allowing arrears to be deferred where immediate payment could cause payments to be unsustainable or where the term would not be increased excessively
- Accepting token payments for a reasonable period of time in order to allow the consumer to recover from an unexpected reduction in income.

Lloyds agreed various measures to help Mr M. These included 30-day periods of breathing space and arrangements where Mr M didn't have to make loan payments under a 'nil payment' plan. On each occasion, Lloyds wrote to Mr M confirming those agreements. I've seen those letters which show when each plan started and ended. They also said that normal payments still remained due and Mr M needed to contact them at the end of the plan to agree a way forward.

During each plan, Mr M was still accumulating payment arrears. So, while Lloyds weren't taking action to recover those, an agreement about how these would be repaid still needed to be reached once the plans ended. The letters also said that *"being behind with your payments can affect your credit score..."*. So, I think Lloyds were open about any consequences.

The last three-month nil payment plan was agreed on 25 May 2021. Lloyds also confirmed this in a letter to Mr M. Lloyd's wrote to him again on 24 August 2021 to remind him the plan was ending. But I can't see that Mr M contacted Lloyds. So, Lloyds wrote to him again on 2 September 2021 asking him to contact them. They said they'd take further action if they didn't hear from him within 10 days.

With no contact from Mr M, Lloyds sent a default notice on 14 September 2021. This gave him until 2 October 2021 to either repay the arrears or arrange a plan with them. A further letter was sent on 2 October 2021 which urged Mr M to contact them. It gave a further 14 days before the loan agreement would be ended, and the full loan amount became due. At that point, the default would be registered on his credit file.

Mr M didn't contact Lloyds until 25 October 2021 to discuss a payment plan. Lloyds discussed and agreed this with him. However, Lloyds later identified they'd made a mistake. Mr M's loan was already being closed and the default registered. This process couldn't now be stopped.

Lloyds did call Mr M and apologised for their mistake. And I think this was the right thing to do in those circumstances. They also agreed to pay him compensation of £50. This amount feels fair and recognises Lloyds' mistake here. But I do understand and appreciate Mr M's frustrations and worries. Particularly as he says he didn't receive any of Lloyds' letters.

Having reviewed Lloyds' files and copy letters, I'm satisfied they were sent to Mr M and all appear to have been correctly addressed. So, I can't reasonably hold Lloyds responsible if they weren't delivered. Having sent them, they wouldn't have had control over their delivery. I realise that this also wouldn't have been Mr M's fault. But in considering his complaint, I can only decide if Lloyds have done anything wrong, and I can't reasonably say they did.

Bearing in mind the above, I'm satisfied that it was fair and reasonable for Lloyds to begin the process of taking corrective action in relation to Mr M's loan arrears when they did. They offered Mr M the opportunity to repay the arrears or agree a repayment plan. Also, accepting that Mr M says he didn't receive Lloyds' letters, he'd been made aware that he needed to contact them before his payment plan ended, when it was agreed in May 2021.

I do realise Mr M will be very disappointed, but as I can't see that he contacted them, or took steps to comply with the default notice in time, I'm satisfied that Lloyds didn't do anything wrong or treat Mr M unfairly when they ended the agreement and registered the default.

### **My final decision**

For the reasons set out above, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 June 2022.

Dave Morgan  
**Ombudsman**