

## **The complaint**

Ms P has complained that Lloyds Bank PLC (“Lloyds”) overdraft lending and fees applied has caused her financial difficulty making it difficult to repay her debt.

## **What happened**

Ms P complained to Lloyds about the affordability of her overdraft. She says the charges applied made it difficult to repay her debt and caused her financial difficulty. Lloyds didn’t uphold the complaint. And as Ms P was dis-satisfied she referred the complaint to our service.

Ms P’s complaint was considered by one of our adjudicators. They thought that Lloyds ought to have realised that Ms P was experiencing financial difficulty by September 2016 and so shouldn’t have added any more interest, fees and charges from this point onwards.

Lloyds disagreed – it says the overdraft was affordable due to the high incomings into her account and she would’ve been able to repay her overdraft if it wasn’t for spending on non-essential items. So the case was passed to an ombudsman for a final decision.

## **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.

Lloyds will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don’t consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I’m intending to find that Lloyds acted unfairly when it continued charging overdraft interest and associated fees a year following the dates its been agreed we can look at (from August 2015) from September 2016. By this point, it ought to have been clear that Ms P was in no position to sustainably repay what she owed within a reasonable period of time.

By this point, Ms P was hardcore borrowing. In other, words she hadn’t seen or maintained a credit balance for an extended period of time. Lloyds’s own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged day-to-day expenditure. So I think that Ms P’s overdraft usage should have prompted Lloyds to have realised that Ms P wasn’t using her overdraft as intended and shouldn’t have continued offering it on the same terms.

Lloyds says Ms P’s overdraft was affordable based on the amounts deposited into the account over a number of years and that if Ms P had managed the account correctly she would’ve been able to maintain a credit balance. But from what I’ve seen from the statements the majority of the deposits into the account were transfers from another account. And these transfers were generally being applied to service the loans and credit cards Ms P had.

I accept that on the odd occasion there may have been spending on non-essential items but I wouldn't say this was the norm or the reason Ms P was consistently near the top end of her overdraft for a number of years. I also note there were often charges for returned direct debits. So as Lloyds didn't react to Ms P's overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Ms P ended up paying additional interest, fees and charges on her overdraft and this ended up exacerbating difficulties she already had in trying to clear it. So I think that Lloyds didn't treat Ms P fairly and she lost out because of what Lloyds did wrong. And this means that it should put things right.

### **Putting things right**

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Ms P's complaint for Lloyds to put things right by:

- Reworking Ms P's current overdraft balance so that all interest, fees and charges applied to it from September 2016 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Lloyds should contact Ms P to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Ms P's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft from September 2016.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Ms P along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Lloyds should remove any adverse information from Ms P's credit file.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Ms P a certificate showing how much tax it has taken off if they ask for one.

### **My final decision**

For the reasons I've explained, I'm upholding Ms P's complaint. Lloyds Bank PLC should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms P to accept or reject my decision before 11 August 2022.

Caroline Davies  
**Ombudsman**