

## **Complaint**

Mrs C has complained that Lloyds Bank PLC ("Lloyds") irresponsibly provided her with an overdraft which it unfairly continued to applying charges even when she had a persistently overdrawn balance.

## **Background**

When it initially investigated Mrs C's complaint, Lloyds agreed that it didn't manage Mrs C's account correctly from 2018 and so it refunded all the interest fees and charges added to the account from September 2018 onwards.

Mrs C remained dissatisfied as she didn't think this went far enough and asked our service to review her complaint.

One of our investigators looked at this complaint and thought that what Lloyds had already agreed to do for Mrs C was fair and reasonable in all the circumstances of the case. In her view, we couldn't look at the initial decision to provide the overdraft or increase the limit. And the charges Lloyds had refunded were fair and reasonable. Mrs C disagreed with the investigator and asked for an ombudsman's decision.

## **My provisional decision of 15 August 2022**

I issued a provisional decision – on 15 August 2022 - setting out why I thought that Lloyds needed to do a bit more to put things right for Mrs C. I won't copy that decision in full, but I will instead provide a summary of my findings.

I started out by explaining, in some detail, why I couldn't look at Mrs C's complaint about what happened on her account before January 2016 as she complained too late. I then went on to consider whether Lloyds acted fairly and reasonably towards Mrs C from January 2016 onwards.

I started this section of my provisional decision by setting out that Lloyds is 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. And having carefully considered everything provided, I didn't agree that what Lloyds had already done in relation to this part of Mrs C's complaint was fair and reasonable in all the circumstances.

I thought that this was the case because while Lloyds had refunded all the interest, fees and charges added to Mrs C's account from September 2018 onwards, Lloyds actually acted unfairly when it continued charging overdraft interest and associated fees after it renewed Mrs C's overdraft in February 2016.

By that point, it seemed evident to me that Mrs C's use of her overdraft was unsustainable. A look at her statements in the period around the renewal showed that not only did she never have a credit balance on her account but she was right at her overdraft limit. Furthermore, there was a clear mismatch between the overdraft limit and the credits going into her account too.

In these circumstances, it ought to have been apparent that Mrs C was unlikely to be able to repay what she owed within a reasonable period of time with overdraft interest, fees and associated charges being added. So I thought that Lloyds ought to have stopped providing the overdraft on the same terms and treated Mrs C with forbearance rather than adding even more fees and charges on the overdraft. I didn't think that only refunding the charges from when Mrs C never returned under her £3,000.00 limit went far enough as I don't think it was fair and reasonable for Lloyds to wait until this point to take corrective action.

All of this meant that it was my view that Lloyds should have realised that Mrs C was experiencing financial difficulty, wasn't using her overdraft as intended and shouldn't have continued offering it on the same terms by February 2016 at the latest. As Lloyds didn't react to Mrs C's overdraft usage and instead continued charging in the same way, I thought that it failed to act fairly and reasonably towards her.

Mrs C ended up paying additional interest, fees and charges on her overdraft at a time when she was already experiencing difficulty. So it was my intention to conclude that Mrs C had lost out because of what Lloyds did wrong and that it needed to do more to put things right in this case.

### **Responses to my provisional decision**

Neither Lloyds nor Mrs C responded to my provisional decision, or ask for any further time to do so.

### **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've read and considered all the evidence and arguments available to me from the outset, in order to decide what is, in my opinion, fair and reasonable in all the circumstances of the case.

I set out in some detail why I thought Lloyds needed to refund the interest, fees and charges it added to Mrs C's overdraft from February 2016 onwards. And as neither party has provided any further arguments for me to consider, I've not been persuaded to alter my conclusions. So I'm still upholding Mrs C's complaint and Lloyds needs to put things right.

### **Fair compensation – what Lloyds needs to do to put things right for Mrs C**

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

- Reworking Mrs C's current overdraft balance so that all interest, fees and charges applied to it from February 2016 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Lloyds should contact Mrs C to arrange a suitable repayment plan Mrs C is encouraged to continue cooperating with Lloyds to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mrs C's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in February 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 Mrs C 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 Mrs C's credit file.

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

### **My final decision**

For the reasons I've explained, I'm upholding Mrs C's complaint. Lloyds Bank PLC needs to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 28 September 2022.

Jeshen Narayanan  
**Ombudsman**