

The complaint

Mr C has complained that Lloyds Bank PLC (“Lloyds”) acted irresponsibly by allowing him to increase his overdraft limit and unfairly continued to apply charges to his account when he was in financial difficulty.

What happened

Mr C complained to Lloyds about lending decisions regarding his overdraft and about charges applied to his bank account dating back to 2006. Lloyds said it couldn’t look at the overdraft lending as Mr C had brought his complaint too late.

An ombudsman issued a jurisdiction decision on 9 February 2022 saying that his complaint was in jurisdiction and we could look at Mr C’s complaint about irresponsible lending.

An adjudicator looked at this complaint and thought that because Mr C had contacted Lloyds and advised that he was struggling financially it shouldn’t have agreed to increase his overdraft limit to £3,500. They thought that Lloyds should refund all interest and overdraft charges applied from 1 August 2007 and backdate the default reported on his credit file to this date.

Lloyds agreed to settle Mr C’s complaint in line with our adjudicators recommendations and would refund all interest, fees and charges applied to the account from 1 August 2007 which amounts to £267.48. Lloyds would pay this directly to Mr C as it no longer holds information about who the overdraft debt was passed to. Lloyds agreed to backdate the default on Mr C credit file to 1 August 2007.

Mr C didn’t wish to accept this offer he wants further compensation for the suffering he experienced financially and mentally and has asked for an ombudsman’s 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.

Firstly, to be clear my decision only addresses the overdraft lending Mr C had with Lloyds.

Having carefully considered everything, I think that what Lloyds has already agreed to do to put things right for Mr C is fair and reasonable in all the circumstances of this complaint.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we’d expect the business to put the consumer in the position they would be in if that wrong hadn’t taken place. And in an ideal world, we’d tell a business to put a consumer in the position they’d now be in if they hadn’t been charged the fees and given the credit they shouldn’t have.

So where a business continues to allow a consumer to use a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit. This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable.

Unfortunately, due to the time that has passed there is limited information available regarding how Mr C managed his account and overdraft with Lloyds. But I can see from Lloyds contact notes that Mr C did inform it about his financial struggles in August 2006 and that his situation hadn't improved by the time it increased his overdraft limit a year later to £3,500. Indeed, not long after Mr C's account was sent to collections and closed the following year.

So I'm in agreement with our adjudicator that the decision to increase Mr C's overdraft limit to £3,500 on 1 August 2007 was not a responsible lending decision as Mr C had already told Lloyds that he was struggling financially and it wasn't affordable for him.

Mr C says he is still paying off his overdraft debt and he's been 'refunded' all of the interest, fees and charges caused by his overdraft from August 2007 and that he wants to be compensated for the suffering he has experienced both mentally and financially. But Lloyds has offered to do what I'd normally expect it to do here.

All the interest, fees and charges Lloyds shouldn't have added will be removed from what Mr C now needs to pay. So what Mr C is left with to repay are the funds which he used and benefitted from. I accept Mr C has suffered financially over the years, but I don't agree that the interest, fees and charges Lloyds applied have left him with a debt that he wouldn't otherwise have been left with. And I don't think having a complaint upheld is in itself a compelling reason for me to depart from our usual approach here.

So with this in mind I'm satisfied that what Lloyds has already agreed to do to put things right for Mr C is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything more.

As this is the case, it's up to Mr C to decide whether he wishes to accept Lloyds' offer.

My final decision

For the reasons I've explained, I'm satisfied that what Lloyds Bank PLC has already agreed to do to put things right for Mr C is fair and reasonable in the circumstances of this case. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 20 October 2022.

Caroline Davies
Ombudsman