

## **The complaint**

Mr J has complained that Lloyds Bank PLC (“Lloyds”) acted irresponsibly by increasing his overdraft limit when it was already aware he was in financial difficulty and that Lloyds acted unfairly by continuing to apply charges to his account when he was in financial difficulty.

## **What happened**

Mr J had an overdraft with Lloyds with a limit of £1,000. In May 2021 Mr J successfully applied online to increase this limit to £1,150 and then £1,600 a couple of days later. Mr J complained to Lloyds that it was irresponsible allowing the increase when it had been told about his financial difficulties and was unhappy about the charges applied to his bank account.

Lloyds said it was satisfied it hadn’t made a mistake when agreeing the increased limits as it had checked affordability and based on its checks and the information provided it thought the limit increases were affordable. Lloyds declined to refund any charges as they had been applied correctly and no error had been made on its part.

Mr J was dis-satisfied with this and bought his complaint to this service.

Lloyds said we couldn’t look at the overdraft lending decisions and charges applied to his overdraft before March 2021 as that had been the subject of a previous complaint made by Mr J.

An adjudicator looked at this complaint and thought that if Lloyds had carried out a proportionate check when Mr J made his overdraft limit increase applications in May 2021 it would likely have shown Mr J was having problems managing his money. And as Mr J had already been in touch regarding his financial difficulties Lloyds shouldn’t have agreed to increase his overdraft limit to £1,150. They thought that Lloyds should refund all interest and overdraft charges applied from 26 May 2021.

Lloyds agreed to settle Mr J’s complaint in line with our adjudicators recommendations and would refund all interest, fees and charges applied to the account from 26 May 2021 which taking into account previous refunds received amounted to £43.69. Lloyds said it would also reduce Mr J’s overdraft facility of £100 to £60 as part of the settlement.

Mr J 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 covers the overdraft lending decisions made by Lloyds from March 2021.

Having carefully considered everything, I think that what Lloyds has already agreed to do to put things right for Mr J 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.

I can see from Lloyds contact notes that Mr J had previously informed it about his financial struggles, had recently complained about irresponsible lending and just two days before the limit increase Mr J was asked to complete his income and expenditure.

So I'm in agreement with our adjudicator that the decision to increase Mr J's overdraft limit in May 2021 was not a responsible lending decision as Mr J had already told Lloyds that he was struggling financially and it wasn't affordable for him. Just a cursory look at Mr J's bank statements show he couldn't maintain a credit balance with his current overdraft limit and had a number of other financial commitments including payday loans. Lloyds ought to have realised it was unlikely Mr J would be able to sustainably repay the extra lent within a reasonable period of time.

Mr J says that a refund of £43.69 is unacceptable as he's had to get external loans to pay off his overdraft and that it is unfair to reduce the overdraft as it negates the refund on offer. Mr J 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 J now needs to pay. So what Mr J is left with to repay are the funds which he used and benefitted from. I accept Mr J 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 J 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 J 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 J 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 J to accept or reject my decision before 1 December 2022.

Caroline Davies  
**Ombudsman**