

The complaint

Mr H and Mrs H complain about Lloyds Bank PLC taking back money from their bank account without explanation or notification.

What happened

In June 2022, Mr H & Mrs H arranged to transfer £50000 from their Lloyds bank account to an account with another bank.

Unfortunately, Lloyds didn't include a reference number when making the transfer and Mr H and Mrs H couldn't see the money had arrived. So, Lloyds recalled the funds and made a second transfer for the same amount.

However, unbeknown to Mr H and Mrs H, their other bank account was credited with both £50,000 payments and Lloyds didn't receive back the £50,000 to cover the temporary credit.

In order to recover the funds, Lloyds say they contacted Mr H and Mrs H to request them to transfer the funds back. However, Mr H and Mrs H say they didn't receive any communications. So, Lloyds debited the funds from their account in two-part payments, and this caused their account to go overdrawn.

Mr H and Mrs H explain that this action and the overdraft charges caused them distress. Also, they say it was necessary for them to make a long, expensive and inconvenient trip to the other bank to arrange the repayment.

Mr H and Mrs H complained about this to Lloyds, however they couldn't see they had done anything wrong.

Mr H and Mrs H complained to our service, and our investigator said they should refund charges and pay £100 compensation.

As Mr H and Mrs H remains dissatisfied this case has now been referred to me to look at.

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.

As Lloyds accept they made an error by making a payment without a reference number, what's left for me to decide is what is fair and reasonable to put this right.

I first considered Lloyds actions once they became aware that the transferred funds hadn't been received. I can see that they made a payment correction which ensured the funds arrived in Mr H and Mrs H's account with another bank. Also, they delayed applying a debit to Mr H and Mrs H's Lloyds account. As Lloyds made an error with the reference that temporarily caused the payment to go missing, I thought this was a responsible action that was fair and reasonable.

I then looked closely at Lloyds actions to recover the correction payment. As the original transfer was delayed but credited, I'm satisfied Lloyds were entitled to recover the £50000 correction payment. This is because it's clear money was owed here, and Lloyds terms and conditions say:

"Unless a court or the law prevents it, we can take money from your account to reduce or pay off money you owe us"

However, they also state:

"We will only do this if we think it is reasonable and we will take into account your circumstances, including whether you will have enough money to cover your essential living expenses."

So, I looked at Mr H and Mrs H's Lloyds bank account to see if Mr H and Mrs H had credited the £50000 owed. Also Lloyds communications, to see if they had made Mr H and Mrs H aware that money was owed and given sufficient notification of their intent to make a deduction that would leave their account in a negative balance and subject to charges.

I couldn't see that Mr and Mrs H had credited the funds. Lloyds say they wrote to Mr H and Mrs H to inform them of the amount owed and planned deduction, but Mr H and Mrs H say they didn't receive this. Also, I found that Lloyds recovery action was a number of weeks later and their records say they sent this letter giving 7 days' notice of their proposed action.

Although I think it reasonable of Lloyds to have expected Mr H and Mrs H to have noticed a £50000 over payment in their account with another bank and returned the funds, that wasn't the case here. In normal circumstances, I think it would've been reasonable for Lloyds to expect Mr H and Mrs H to have received their letter and be prepared for the deduction.

However, when I looked at the file, I would've expected to see additional communications from Lloyds including questions in the 4 August letter which Mr H and Mrs H didn't receive. This is because Lloyds made the initial payment error and it's not clear Mr H and Mrs H knew the first payment wasn't returned to Lloyds. Also, from reviewing Mr H and Mrs H's account it's clear the deduction would cause charges and payment issues. Furthermore, Lloyds terms and conditions suggests they would check with customers before undertaking such action.

So, I'm pleased to see that Lloyds agree to refund these charges and pay Mr H and Mrs H £100 compensation for the distress and inconvenience caused.

I appreciate Mr H and Mrs H think the compensation should be higher due to the distress the deduction caused. Also, the inconvenience at having to travel to the other bank to arrange a credit to their Lloyds account. However, when considering our publicly available compensation guidance, together with the approximate 7 weeks they had Lloyds £50000 in their other bank account, I think the above-mentioned refund of charges and £100 compensation is a fair and reasonable amount of compensation in the circumstances.

So, considering all the above, my final decision is that I uphold this complaint and require Lloyds to refund the charges made when Mr H and Mrs H's account was overdrawn. Also, to pay £100 compensation less any amounts already paid.

My final decision

My final decision is that I uphold this complaint and I require Lloyds Bank PLC to:

- Refund all charges when Mr H and Mrs H's account went overdrawn after they took money owed
- Pay £100 compensation less any amounts already paid

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H and Mrs H to accept or reject my decision before 5 April 2023.

Paul Douglas
Ombudsman