

## **The complaint**

Miss I has complained that Lloyds Bank PLC ("Lloyds") didn't take the necessary steps for responsible lending when providing her with an overdraft.

## **What happened**

Miss I complained to Lloyds about its irresponsible overdraft lending. Lloyds upheld Miss I's complaint and offered to:

- Refund all charges and interest from 27 August 2017 when the overdraft was approved amounting to £807.94;
- Pay £50 compensation for distress and inconvenience;
- Lloyds confirmed it would buy back Miss I's account from the third party debt collectors and arrange a payment plan with her; and
- Back date the default on her account to 27 August 2017.

One of our adjudicators looked at this and thought that what Lloyds had offered is in-line with what we'd recommend and didn't think it needed to do anything more. Miss I disagreed she would like more compensation 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.

Having carefully considered everything, I think that what Lloyds has already agreed to do to put things right for Miss I is fair and reasonable in all the circumstances of her complaint. I'll explain why I think this is the case.

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 given the credit they shouldn't have.

So where a business provides a consumer with a credit facility which it should have realised was unaffordable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any 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 unaffordable. And if those interest and charges were paid also add 8% simple interest per year.

In this case, Miss I has likely been left with an outstanding balance on her overdraft, once all adjustments have been made, and she's been 'refunded' all of the interest, fees and charges

caused by her overdraft. So while Miss I has been left with a balance and she might be unhappy with this, Lloyds has offered to do what I'd normally expect it to do here.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it provided credit it shouldn't have (such as here), we can and will tell it to do something different and/or something more if there's a strong reason to say that's what would be fair and reasonable to do in the circumstances of that individual case.

Miss I says Lloyds should do something different here. She says she failed to keep up with the charges and her debts spiralled and doesn't think the compensation is enough considering the distress caused.

I've thought about what Miss I has said. And what she's said is a reason for upholding her complaint rather than a reason for departing from our normal approach to putting things right in cases such as hers. All the interest, fees and charges Lloyds shouldn't have added have been removed from what she now needs to pay. So what Miss I is left with to repay are the funds which she used and benefitted from and I don't agree that the interest, fees and charges have left her with a debt that she wouldn't otherwise have been left with.

In these circumstances, and bearing in mind Miss I spent the credit, I think it's perfectly fair and reasonable to expect Miss I to repay these funds. And I don't think that Miss I's unhappiness at having a balance to repay on her overdraft, even after her complaint has been upheld, is in itself a compelling reason for me to depart from our usual approach here.

Bearing in mind all of this, I'm satisfied that what Lloyds has already offered to do to put things right for Miss I is fair and reasonable in all the circumstances of her case and I'm not persuaded further compensation is warranted, so I'm requiring Lloyds to do anything more. As this is the case, it's up to Miss I to decide whether she 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 Miss I is fair and reasonable in the circumstances of her case. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 23 February 2023.

Caroline Davies  
**Ombudsman**