

## **The complaint**

Mr F complains about incorrect information given by Lloyds Bank PLC (Lloyds) when his sole trader account overdraft facility was withdrawn.

## **What happened**

Lloyds wrote to Mr F in May 2021 to notify him that they were withdrawing his sole trader overdraft facility and that he was required to repay the outstanding balance within 14 days. On receipt of the letter Mr F called Lloyds to discuss his repayment options given his personal and financial circumstances. But Mr F says that Lloyds provided incorrect information about how repayment of the overdraft could be handled.

In response to Mr F's concerns Lloyds apologised for incorrectly informing him that his credit file wouldn't be affected. They offered Mr F £100 for the upset and frustration caused. Unhappy with Lloyds' final response and the compensation offer, Mr F contacted our service.

One of our investigators considered Mr F's complaint. They said there had been some miscommunication between Mr F and Lloyds. But that once the situation was made clear, they thought Lloyds had taken reasonable steps to aid Mr F with solutions to repay the outstanding debt in a manageable way. And they said the £100 offered by Lloyds to Mr F was fair.

Mr F rejected the investigator's findings. So, the complaint has been passed to me and I issued a provisional decision.

## **What I said in my provisional decision dated 28 October 2022**

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

*Since Mr F has brought this complaint to our service, it's come to light there are other issues that Mr F feels need to be addressed. Mr F will need to raise these with Lloyds for them to investigate and issue a final response. For clarity, these additional concerns are in relation to the opening of the limited company account and historic mortgage arrears. I won't be commenting on these points, as they are yet to be reviewed by Lloyds.*

### *Withdrawal of the sole trader account overdraft*

*Mr F says Lloyds cancelled the overdraft on his sole trader account without notice. I've looked at the terms and conditions of the account in relation to overdraft and charges. It says under section 11 of Borrowing from us:*

*'At any time we may withdraw or restrict any right to an overdraft or ask you to repay your overdraft. We do not have to give you advance notice before we do, but we will tell you in writing if we require repayment of your overdraft.'*

*Lloyds have sent a copy of the formal demand notice sent to Mr F on 28 May 2021. This says: 'The Debt must be repaid within 14 days of the date of this letter.' So, I'm satisfied Lloyds hasn't acted incorrectly or treated Mr F unfairly when it called in the sole trader account overdraft. It followed the terms and conditions which Mr F would have agreed to when he opened the account and provided him with 14 days' notice to repay the outstanding balance.*

#### *Impact on credit file*

*It's not in dispute that Mr F was given the wrong information when he asked about whether his credit file would be impacted if he let the overdraft pass onto Lloyds' recoveries team. Lloyds have compensated Mr F £100 for this error, and I think this is fair. Ultimately, Mr F wasn't in the financial position to repay the overdraft in full, so any repayment plan put in place would negatively impact his credit file. So, I won't be asking Lloyds to do anything more regarding this part of the complaint.*

#### *Repaying the overdraft using the Limited company account*

*One of Lloyds' call handlers suggested that Mr F could use the lending facility associated with his limited company account to repay the outstanding overdraft balance on his sole trader account. Lloyds have sent us a copy of the call recording which I've listened to. And I've noted when the call handler makes this suggestion to Mr F, he recognises that this isn't a feasible option as he couldn't use a company account to repay a debt that he was personally liable for. I appreciate the call handler suggested something that wasn't viable and, therefore, Mr F lost faith as to whether Lloyds were able to help him with the repayment of the debt. But this incorrect information hasn't made a difference to the fact Mr F still needs to find a way of repaying the overdraft. So, I don't think Mr F has lost out because of what the call handler said, as he was already aware that the call handler's suggestion wasn't viable.*

#### *Repaying the overdraft off using a personal loan*

*Another option suggested to F was to apply for a personal loan to repay the balance. Following this suggestion, Mr F made an appointment to attend a branch meeting to make an application for a personal loan. Mr F says the branch submitted an application, but it was declined. Initially Lloyds said they didn't know why the application had been declined. But on further investigation, Mr F was told that the application was declined due to historic adverse credit information on his credit file.*

*Lloyds say they don't have any record of telling Mr F to apply for a personal loan, or any details or notes of the meeting Mr F says he had in branch. But I can see from the contact notes Lloyds have sent us, that on 12 July 2021 it says, 'was suggested to do it as a personal loan'. And Mr F says he had an appointment with the branch on 30 July 2021 where the application was declined. So, I'm persuaded that Mr F was told to visit a branch to apply for a personal loan.*

*I've looked at Lloyds criteria for the application of a personal loan. The terms and conditions say that 'Personal loans are available for almost any purpose except; illegal use, speculation (i.e., gambling) and business purposes'. So, I'm not satisfied that Lloyds acted fairly in suggesting Mr F apply for a personal loan for business use, when the terms and conditions say that personal loans can't be used for business purposes. And it follows, that I'm persuaded that Lloyds mismanaged Mr F's expectations and caused him the trouble and inconvenience of going to a branch where there was no prospect of him being accepted for a personal loan. Because of this I think Lloyds should pay Mr F an additional £100 as an apology for the inconvenience caused.*

## *Moving forward*

*Our service isn't a debt advice service, and it's not for us to tell Lloyds what remedies it should offer Mr F to help repay what he owes. It's for Mr F and Lloyds to work together to agree on a repayment plan for the outstanding balance. I think it would be helpful for me to explain that this could mean Mr F's account is defaulted and this would be reported on his credit file. But it would mean that Lloyds may be able to agree to repayment of the outstanding balance on terms more achievable for Mr F. And further interest and charges are generally stopped at this point. But there may be other remedies that Lloyds may want to explore with Mr F that would be acceptable to both parties.*

*Mr F says that he accepts that the outstanding debt is his responsibility. What he finds concerning is the service he's received from Lloyds when trying to work with them on how he can repay the debt in a way that's affordable for him with the least financial impact.*

*I agree that the service Lloyds have given Mr F when he asked them for help isn't satisfactory. Lloyds have already compensated Mr F £100, but I think £200 overall is a fairer reflection of the trouble and upset and inconvenience that impacted Mr F during a stressful situation due to the misinformation he was given.*

## **Responses to my provisional decision**

I invited both parties to send any additional comments or evidence they had before reaching a final decision. Lloyds responded to say they didn't have anything further to add and that they'd be happy to resolve the complaint in the way I recommended in my provisional decision.

Mr F responded and made further comments about the way in which Lloyds have handled the situation and his accounts from the start – particularly, because he's been a customer of the Lloyds for more than 30 years. And he feels the right thing for Lloyds to do would be to cancel the debt, right it off and remove any adverse information from his credit file.

Mr F also said that he didn't understand or agree that there were some issues that couldn't be dealt with within this complaint as they are linked and part of the overall complaint.

## **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.

The remit of this decision relates to the incorrect information given by Lloyds when Mr F's sole trader account overdraft facility was withdrawn. Any other issues that Mr F feels need to be addressed he'll need to raise with Lloyds directly to give them an opportunity to resolve the issue without the need for our intervention.

I appreciate Mr F feels that the further issues he's raised are all one complaint. But the matter regarding the repayment of the overdraft, would still need to be resolved and wouldn't be dependent on the outcome of the other issues he's raised.

As I've previously mentioned it's not for us to tell Lloyds what remedies it should offer Mr F to help repay what he owes. There are several ways a lender can help. As Mr F suggests, one of these is writing off a debt. But more commonly it's about reaching a fair agreement as to what is an affordable repayment amount.

Mr F has explained his financial difficulties and that he can't afford to repay the overdraft in full. So, he needs to contact Lloyds to discuss his financial situation with them to see how they can help.

In relation to the information recorded on Mr F's credit file, I can't see that the adverse data isn't a true reflection of what happened. Mr F has had the benefit of the money and it hasn't been repaid in line with the terms of the overdraft. So, I won't be asking Lloyds to remove any information that's been recorded because of the unpaid debt.

It's not in dispute that the level of service Mr F got from Lloyds was inadequate. This is the reason I upheld Mr F's complaint and proposed that Lloyds increased the amount of compensation for this from £100 to £200. Mr F hasn't provided me with any new information that would lead me to think further compensation is due.

When we look at awards, we look at what's been the impact of the business' mistake on the consumer. And considering the incorrect information Mr F was given in an already stressful situation, and the impact that's been caused, I think the additional £100 – total £200, compensation fairly represents this.

### **My final decision**

For the reasons I've given above and in my provisional decision, I uphold Mr F's complaint.

Lloyds Bank PLC should now settle the matter as set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 11 February 2023.

Helen Giles  
**Ombudsman**