

The complaint

Mr T complains that Lloyds Bank PLC ('Lloyds') have unfairly registered a default in relation to his bank account.

What happened

Mr T held an account with Lloyds. This included an overdraft facility. Lloyds says that Mr T exceeded the agreed overdraft on several occasions in 2020 and 2021. It says that it wrote to him in July 2020, December 2020, February 2021 and September 2021 to tell him that his overdraft must either be brought within its agreed limit or else paid off entirely. It says that, following the first three letters, the overdraft was brought within the agreed limit, but not the fourth.

The bank says that the letter dated 7 September 2021 made clear that, if the overdraft was not cleared or reduced to the agreed amount within 30 days, the account could be registered as being in default and closed after two months. Mr T says that he did not receive this letter. He says that he was unable to make payments online or via the app as a block had been applied to his account. He did not make the payment set out in the letter, and Lloyds closed his account on 13 November 2021 and registered a default with the credit reference agencies. Mr T says that, around January or February 2022, he was advised in branch that the default should not have been applied.

The bank says that throughout the relevant period, it sent Mr T SMS messages and messages to his online inbox, telling him that his overdraft had exceeded the agreed limit. It says that the formal demand was sent by post as a regulatory requirement.

Our investigator thought that the bank had treated Mr T fairly and reasonably. They thought that Lloyds had taken appropriate steps to contact Mr T and then had properly recorded a default.

Mr T did not agree and so this has come to me for a final 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.

I have considered the letter which the bank says it sent on 7 September 2021. It appears to be a standard, system generated letter as it uses the same wording as those sent previously. I can see that it also uses the same address as previous letters sent to Mr T. This is the same address that Mr T provided to this service during the course of his complaint. I am therefore satisfied that the letter was properly addressed and sent. I think this was fair. The bank could not control whether the letter was received or read.

I have considered the contents of the letter. It makes clear that the account is in an unauthorised overdraft, as well as what must be done about it. It gives a clear deadline of 30 days, and sets out the potential consequences, including registration of a default and closure of the account. Section F of the terms and conditions of the account makes clear that overdrafts are repayable on demand, and that exceeding the agreed limit can lead to the bank asking that the account be brought back within the limit. This is what Lloyds did.

Having considered the rest of the bank's contact notes, I am satisfied that the Lloyds did not just send this single letter, but also sent electronic communications to Mr T. Having considered his account statements from the relevant time, I am also satisfied that Mr T would have seen that he had exceeded the agreed overdraft had he checked his account balance.

In the circumstances, I am satisfied that the account was overdrawn in breach of Section F of the terms and conditions of the account. Lloyds did enough to bring this to Mr T's attention, and also gave him warning of what it would do if he did not address it. Lloyds was entitled to demand repayment of the full overdraft in this way, and it gave Mr T clear instructions as to how further action could be avoided. He had previously complied with such formal demands, showing that he understood the importance of doing so. Lloyds gave him an appropriate period of 30 days in which to pay, and gave two months' notice of the account closure if he failed to do so.

As part of its duties as a responsible lender, Lloyds is required to record accurate and up to date information with the credit reference agencies. Having decided to close Mr T's account as it did, recording the default was the reasonable step to take. I am satisfied that this was fair.

While Mr T says that he could not make payments online or through the app, the 7 September 2021 letter also told him that payments could be made in branch. This had been set out in the previous letters. Lloyds says that, even in the case of an online block, payments could be made in branch. I am satisfied that this was a fair and reasonable option for Mr T to avoid the default.

Mr T says that he was later told that the default had been applied in error. For the reasons given above, I do not think that it was applied unfairly or unreasonably. In the circumstances, even if a branch staff member told him it was wrongly applied, I do not think it would be fair to treat that staff member's opinion as binding on the bank. In fact, the default was properly registered and the account fairly closed. I am not going to ask Lloyds to do anything more.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 April 2023.

Marc Kelly

Ombudsman