

The complaint

Mr K and Ms L complain about Lloyds Bank PLC reducing their overdraft facility when they were vulnerable due to the Covid-19 crisis.

What happened

I issued my provisional decision on 17 February 2023, and this is what I said:

I've considered the relevant information about this complaint.

Based on what I've seen so far, I intend to partially uphold it, so there will be a different outcome to what our investigator proposed.

Before I issue my final decision, I wanted to give everyone a chance to reply.

I'll look at any more comments and evidence that I get by 17 March 2023. But unless the information changes my mind, my final decision is likely to be along the following lines.

The complaint

Mr K and Ms L complain about Lloyds Bank PLC reducing their overdraft facility when they were vulnerable due to the Covid-19 crisis.

What happened

In 2020, Mr K and Ms L had an overdraft facility of £990 on their joint bank account with Lloyds. This facility had increased importance due to Covid-19 which had an impact on Ms L's employment. However, in October 2020 Mr K and Ms L became concerned when Lloyds informed them that following a review their overdraft facility was to be reduced to £260. Also, in 2020, Mr K and Ms L made an application for a £500 short-term Covid-19 interest-free overdraft arrangement which after some confusion was agreed.

When Mr K contacted Lloyds about the reduction in the overdraft facility, he says he was informed he needed to reapply for the £990 and he did so but this was rejected.

Lloyds say they offered to refer him to their Personal Lending Decisions (PLD) team, but Mr K declined. Mr K says this is because it could have affected his credit score and there wasn't a guarantee it would be accepted.

Mr K complained to Lloyds. Regarding the £500 short-term Covid-19 interest-free overdraft arrangement which he thought was affected, Lloyds confirmed this wasn't the case and, as a way of saying sorry for any confusion caused, offered Mr K and Ms L £30 compensation.

However, they said the reduction in the overdraft facility was a responsible lending business decision and reinstatement would only be possible if Mr K spoke to their PLD team.

Mr K and Ms L complained to our service. Our investigator was able to see that Lloyds subsequently decided not to change the overdraft limit, so she partially upheld Mr K and Ms L's complaint asking Lloyds to pay an additional £50 compensation.

As Mr K remains dissatisfied this case has now been referred to me to look at.

What I've provisionally 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, I can't see that Lloyds didn't follow the Financial Conduct Authority Covid-19 guidance to make fair decisions on a case-by-case basis. This is because, despite some confusion for which Lloyds offered some compensation, they did agree a Covid-19 interest-free overdraft arrangement. Also, when they informed Mr K and Ms L that they could no longer have the £990 overdraft facility they suggested Mr K and Ms L speak to their PLD team. In addition, although I think there was a communication issue, they subsequently concluded that the £990 overdraft facility shouldn't be reduced.

Whilst I appreciate the timing of Lloyds decision to review Mr K and Ms L's overdraft caused anxiety, I don't think it was unfair or unreasonable for Lloyds to undertake such a review. This is because Lloyds are entitled to make business decisions about how much they lend to customers. Also, Lloyds are required to be a responsible lender and their terms and conditions state they can regularly review and reduce limits.

I was though surprised not to see any communications from Lloyds about their review which reinstated Mr K's and Ms L's £990 overdraft limit. I think Lloyds should've spoken to Mr K and Ms L and / or sent a communication especially as Mr K had his application rejected and made a formal complaint about this matter.

I appreciate that Lloyds statements did show the overdraft limit and Mr K and Ms L could've queried this. But considering events and the finality of Lloyds complaint correspondence I can understand why this wasn't realised.

From reviewing submissions I'm persuaded that Mr K and Ms L were feeling vulnerable and this lack of communication caused them to worry that their overdraft, which they saw as a safety net, was being reduced just at a time when they believed it to be critical. So, even though Lloyds subsequently decided not to change the limit and had closed the complaint, I think they should've clearly communicated this to Mr K and Ms L, as had they done so this would've alleviated Mr K's and Ms L's distress.

However, whilst I think compensation is appropriate here, from a review of the file I'm not persuaded that Lloyds lack of communication caused financial hardship. Also, I'm unable to consider Lloyds complaint handling in my decision as it's not a regulated activity. Although Mr K says he had financial difficulties and was concerned about his credit report, he declined to speak with both Lloyds Personal Lending Decisions team which may have resolved the issue and worry at an earlier stage. Also, Mr K declined to speak to Lloyds support unit for customers with financial difficulties. In addition, there is information that on Ms L's other Lloyds account she didn't use her arranged overdraft limit.

Furthermore, Mr K's and Ms L's overdraft usage record shows that prior to Lloyds decision to reduce the overdraft limit they weren't fully utilising their overdraft facility. And when they did receive the temporary interest free limit and their utilisation increased, it appears likely that this contributed to Lloyds' decision to increase the amount back to £990.

So, whilst I appreciate Mr K and Ms L will be disappointed, having considered all the above, including the overdraft limit showing on the statement, I'm partially upholding this complaint. And I require Lloyds to pay Mr K and Ms L £100 compensation which excludes the £30 Lloyds offered for the confusion over the short-term Covid-19 interest-free overdraft.

My provisional decision

For the reasons I've given above, it's my provisional decision to partially uphold this complaint and I require Lloyds Bank PLC to pay Mr K and Ms L £100 compensation. I'll look at anything else anyone wants to give me – so long as I get it before 17 March 2023. Unless that information changes my mind, my final decision is likely to be as I've set out above.

Both parties responded prior to the deadline.

Lloyds agreed to pay the compensation amount detailed in the provisional decision.

Mr K doesn't think the compensation is sufficient for the distress, time and impact and his response contained the following:

- Additional information on Mr K and Ms L's anxiety and vulnerability
- A belief that:
 - Lloyds didn't abide by the FCA guidance
 - Lloyds failed to recognise their financial hardship
 - Lloyds hadn't conducted proper due diligence when reducing the overdraft in the midst of a global pandemic
 - A PLD referral wouldn't maintain the overdraft and could have an adverse impact
- Mr K and Ms L made it clear that there was a plan to use the overdraft, so if there was a way for the overdraft to be maintained without the need for credit checks why wasn't this option given in the first place
- Poor customer service hasn't been considered
- In comparison to another case the compensation award is low and out of kilter with guidance

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'll start by thanking Mr K and Ms L and Lloyds for their responses to my provisional decision. The information provided was very helpful and I've carefully considered what Mr K and Ms L said.

Regarding Mr K and Ms L's belief that Lloyds didn't follow FCA guidance and recognise their vulnerability, I still can't see that this is the case here. This is because, Lloyds did agree a Covid-19 interest-free overdraft arrangement and they suggested Mr K and Ms L speak to their PLD and support teams. Also, they subsequently concluded that the £990 overdraft facility shouldn't be reduced.

Although Mr K has explained why he declined to speak to Lloyds PLD team, as Mr K and Ms L say they were in financial hardship I would've expected them to speak to both this team and Lloyds support unit for customers with financial difficulties. Also, for Ms L to use her arranged overdraft limit.

In addition, Mr K and Ms L's overdraft usage record shows that prior to Lloyds decision to reduce the overdraft limit, they weren't fully utilising their overdraft facility. And although

there was a pandemic, I'm satisfied that Lloyds decision to review and reduce the overdraft limit was fair, reasonable and that they acted within the terms and conditions of the account.

For the reasons stated in my above provisional decision, I think Lloyds communication and customer service should've been better. So, when fully considering this in the circumstances of this particular case I'm still partially upholding this complaint and think £100 is a fair and reasonable amount of compensation to put things right.

My final decision

My final decision is to partially uphold this complaint and I require Lloyds Bank PLC to pay Mr K and Ms L £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K and Ms L to accept or reject my decision before 2 April 2023.

Paul Douglas
Ombudsman