

## **Complaint**

Mr F says that Lloyds Bank PLC (“Lloyds”) unfairly removed his overdraft, closed his account and recorded a default on his credit file.

## **Background**

One of our adjudicators looked into Mr F’s concerns. She didn’t think that Lloyds had done anything wrong or treated Mr F unfairly and so didn’t recommend the complaint be upheld. Mr F disagreed and so the complaint was passed to an ombudsman for a final decision.

## **My findings**

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 provided, I’ve decided not to uphold Mr F’s complaint. I’ll explain why I’ve done so in a little more detail.

It isn’t in dispute that Mr F got in contact with Lloyds, as far back as November 2021, to explain that he was having difficulty paying the interest that he was being charged for using his overdraft. Once a lender is told, or it realises, that a borrower is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations.

Lloyds placed a number of temporary 30-day holds on interest being added to his overdraft in order to provide Mr F with the breathing space to find a more sustainable method of repaying his overdraft. I’m satisfied that this was a reasonable first step to what Mr F had told Lloyds about his circumstances from November 2021 onwards.

However, these interest holds were only ever meant to be temporary measure and Lloyds eventually required Mr F to complete an income and expenditure assessment with it. The results of this showed Lloyds that Mr F’s expenditure exceeded his expenditure by over £250.

I know that Mr F disputes this figure and that he says other assessments carried out showed different amounts. This may be the case. But I’ve not seen anything to indicate that any of the income and expenditure assessments carried out showed that Mr F had sufficient disposable income to be able to repay his overdraft, plus any interest accrued, within a reasonable period of time.

As a result of Mr F’s negative disposable income, Lloyds decided to begin corrective action in relation to removing the overdraft as it was entitled to do and I would expect it to. And Lloyds did this by issuing a formal demand notice, requiring repayment of the overdraft, to Mr F in May 2022.

I do sympathise with what Mr F has told us. I fully appreciate why he’s unhappy with adverse information being recorded on his credit file and worried about the impact this will have.

But by May 2022, it was clear that any difficulty repaying his overdraft wasn't temporary. And I don't think it would have been fair, reasonable or proportionate for Lloyds to continue ignoring Mr F's obvious and apparent difficulty, or the fact that the overdraft had become demonstrably unsustainable for him, indefinitely.

So by this stage, I would have expected Lloyds to have taken corrective action in the way that it did. After all while withdrawing a facility and recording a default or other adverse information, might be viewed negatively by other lenders, it does offer the borrower certain protections in relation to the overdraft debt. And asking Lloyds to remove the default and reopen Mr F's account, when Mr F didn't repay this debt in line with the initial arrangements, would arguably be counterproductive and not in Mr F's interests or that of any future lender.

Furthermore, I realise that Lloyds' decision will have been very disappointing to Mr F and I can appreciate why the closure of his account will have caused him inconvenience. But despite this, I'm simply not in a position to be able to tell Lloyds it had to continue offering him a current account in circumstances where Mr F's overdraft defaulting led to it deciding it no longer wished to provide him with one.

So I'm satisfied it was fair and reasonable for Lloyds to begin the process of taking corrective action in relation to Mr F's overdraft when it did in May 2017. As this is the case and Mr F wasn't able to take steps to repay what was owed, or reach a suitable arrangement to repay what was owed within a reasonable period of time, I'm satisfied that Lloyds was entitled to withdraw Mr F's overdraft, close his account and record any adverse information it did.

Overall and having considered everything, I have not been persuaded to uphold Mr F's complaint. I appreciate that this will be very disappointing for Mr F. But I hope that he'll understand the reasons for my decision and at least feel that his concerns have been listened to.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr F's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 19 April 2023.

Jeshen Narayanan  
**Ombudsman**