

The complaint

Mr N complains that Lloyds Bank PLC acted unfairly when it increased his overdraft facility. Mr N also says Lloyds failed to treat him fairly when he experienced financial difficulties.

What happened

Mr N has held a current account with Lloyds for several years. In June 2019 the overdraft was increased from £250 to £300. Lloyds went on to increase Mr N's overdraft facility in stages until it reached £3,500 in January 2021. Mr N has explained that the increases took place during a period of financial difficulty and contributed to his situation.

Earlier this year, Mr N complained to Lloyds and it upheld his case. Lloyds issued a final response and said it had looked back to March 2019 and agreed it shouldn't have increased his overdraft limit from that time. As a result, Lloyds agreed to refund all overdraft charges applied to Mr N's current account totalling £2,847.82. Lloyds explained it would remove the overdraft facility within a month which would stop future interest and charges being accrued. But Lloyds explained this would lead to a default being recorded on Mr N's credit file. Lloyds also said it would pay Mr N £100 for the distress and inconvenience caused.

Mr N referred his complaint to this service and it was passed to an investigator. They thought Lloyds had acted fairly by agreeing to refund fees and charges applied to Mr N's overdraft. But the investigator thought Lloyds should've offered better help to Mr N during a period of financial hardship and asked it to pay a further £150 for the distress and inconvenience caused. The investigator also said Lloyds should relook at the charges it had applied and back date them to 14 March 2019.

Lloyds responded and confirmed it was willing to accept. Lloyds calculated a further refund of £32.26 was due and agreed to pay a further £150. Mr N responded and said he was unhappy Lloyds had taken the step of closing his account. Mr N also said he was about agreeing an affordable repayment plan for the outstanding balance and that the compensation Lloyds had paid wasn't fair. As Mr N didn't accept the investigator's view, his complaint has been passed to me to make a 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 don't need to make a finding on whether Lloyds lent irresponsibly or not as it's already upheld that part of Mr N's complaint. Lloyds accepts it shouldn't have increased Mr N's overdraft facility from March 2019 onwards. Mr N complained about Lloyds' lending decisions from 2020 onwards, so it's response actually goes some way beyond the original complaint he made.

Lloyds refunded the charges Mr N has incurred since that time, totalling £3,253.96. Lloyds had already refunded fees totalling £373.88 when Mr N complained earlier this year. It refunded a further £2,847.82 when it responded to his complaint, taking the total refund to

£3,253.96. When the investigator upheld Mr N's case, they asked Lloyds to relook at the refunds made and it confirmed a further £32.26 is due. I've looked at Lloyds' calculations and I'm satisfied it's now agreed a fair settlement by refunding the relevant fees and charges.

Whilst Lloyds has agreed refunds, that does leave an outstanding balance due on Mr N's account. I understand Mr N may still be experiencing financial difficulties which means he's not in a position to agree a payment plan for the remaining balance. I'd like to explain that Lloyds is only able to agree a payment plan for the remaining balance that works for Mr N and is affordable, having taken his circumstances into account. Lloyds is obliged to treat Mr N positively and sympathetically. So whilst I note Mr N's response to the investigator, I'd recommend he work with Lloyds to discuss any affordable repayment options.

The settlement reached by the investigator said that once Mr N clears the outstanding balance, Lloyds will be required to remove the default it's gone on to record on his credit file. I think that's a fair approach and reasonable way to resolve Mr N's case.

In response to the investigator, Mr N explained he was unhappy with Lloyds' decision to close his account. But as the account was in an overdrawn position and Mr N explained he was unable to affordably repay the outstanding balance, I'm satisfied that was a reasonable step for Lloyds to take. Lloyds' final response explains that Mr N can ask it to remove account restrictions for further borrowing after 12 months at which time he can reapply. So Mr N has the option of reapplying for an account with Lloyds in the future which is fair in the circumstances.

Lloyds agreed to pay Mr N a further £150 for the distress and inconvenience caused. I agree with the investigator that a further award for the trouble and upset caused to Mr N is reasonable in the circumstances of his complaint. And I think a further payment of £150, taking the total award for the distress and inconvenience caused to £250, is fair and reasonable in all the circumstances. As Lloyds has already agreed a fair settlement, I'm not telling it to increase the award.

Having considered all the available information, I agree with the investigator's view that Lloyds should settle by refunding all fees, interest and charges applied to Mr N's overdraft from March 2019 onwards and pay him a further £150 for the distress and inconvenience caused.

My final decision

My decision is that I uphold Mr N's complaint and direct Lloyds Bank PLC to settle as follows:

- Rework Mr N's current overdraft balance so that all interest, fees and charges applied to it from 14 March 2019 onwards are removed minus any refunds already paid.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Lloyds should contact Mr N to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr N's credit file, it should backdate this to 14 March 2019.

- Once the balance is repaid, Lloyds should remove the default from Mr N's credit file.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and

returned to Mr N, along with 8% simple interest on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Lloyds should remove any adverse information from Mr N's credit file.

- Pay Mr N and additional £150 compensation (in addition to the £100 already offered).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 30 November 2023.

Marco Manente
Ombudsman