

## **The complaint**

Mr K complains that Lloyds Bank PLC (Lloyds) defaulted his account

## **What happened**

Mr K had an account with Lloyds since he was 11. He went to university and then, because of the pandemic, he relocated to another address, but didn't tell Lloyds.

He had an overdraft limit of £670 – which wasn't on student terms. The account was dormant from July 2020 (when a credit of £650 was paid in; and two debits totalling £1,180.83 were paid out). The overdraft balance was then £655.24 - until demand was made on 23 March 2021 and the debt was passed to a debt collection agency (DCA). By then, with interest, the debt was £696.35.

Lloyds wrote to Mr K at his university address in August 2020, September 2020; and made demand on 23 March 2021. On 29 April 2021, the bank wrote again to say the account would close and be passed to a debt collection agency (DCA) – which then happened in June 2021. A default was registered against Mr K's name.

Mr K then made payments to the DCA of £60 per month until the debt was paid off in September 2022.

Mr K complained. He said he had moved because of the pandemic and forgot to advise Lloyds about that. He'd suffered from mental health issues between November 2020 and April 2021, and this meant he couldn't focus on matters easily.

He said Lloyds had written to him at his old address, but hadn't tried to contact him by text, email or phone. If they had, he would've done something about the overdraft. He also said that his student overdraft balances with other banks had been allowed to stay 'dormant' and it wasn't fair that Lloyds treated him differently.

He now had a default against his name, which was preventing him from getting a mortgage or any other loan facilities – it was seriously affecting his life. He said Lloyds should remove the default.

Lloyds said:

- The last credit to the account was in July 2020, and payments out of the account at that time led to a debit balance of £655.
- Mr K had a limit of £670, but overdraft interest led to this being exceeded.
- Letters were sent to his address on file asking Mr K to get in touch, and/or offering him support. The bank appreciated what Mr K said about not being at the address they held, but there was also a responsibility on customers to monitor their account.
- The default was applied correctly. Mr K hadn't used his account for 11 months. As the debt had been repaid it would be shown on his credit file as 'satisfied' but the

default would remain for six years from when it was put on.

Mr K brought his complaint to us. Our investigator didn't uphold it. She said:

- Lloyds had stopped applying interest after September 2020.
- It was Mr K's responsibility to advise Lloyds of his address.
- He could've seen his statements and account balance online.
- Lloyds gave Mr K sufficient time to repay before defaulting the account.
- She didn't consider Mr K's mental health issues to mean the default should be removed.
- Mr K could ask the credit reference agencies (CRAs) to add a notice of correction on his credit file to explain the reason the default happened. This could then be taken into account by lenders if he applied for future borrowing.

Mr K asked that an ombudsman look at his complaint, and so it has come to me to make 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 asked some more questions of Lloyds as I wanted to be sure of what happened here. But unfortunately, it didn't persuade me to change my final decision from the view of our investigator.

Mr K argues that Lloyds didn't try to contact him by text, email or phone, and just wrote to him at his old student address. I've considered his arguments here, but it is the case that lenders only have to write to a customer about a debt at the address they have on file. In this case, Mr K had moved from there, but I can't reasonably hold Lloyds as responsible for that, or that he didn't tell Lloyds he had moved.

There isn't a requirement for Lloyds to try to contact Mr K in other ways, such as by text, email or phone.

Mr K could reasonably have also seen his balance and statements by accessing online banking, or mobile banking. I asked Lloyds if they had records of him doing that, but due to the passage of time, the bank couldn't show us those records.

I thought about the evidence that Mr K submitted about his mental health issues. If Mr K had made Lloyds aware of this, we would've expected the bank to have given him support and considered whether to act differently about the debt. But while I sympathise with what he has gone through, I can't reasonably expect Lloyds to have taken this into account – as they weren't aware of this at the time they made demand and then defaulted his account.

Mr K also argues that his other student accounts were allowed to remain dormant, and Lloyds should've done the same. I don't think a student account necessarily means a debit balance can remain dormant indefinitely – but I can't comment on the other accounts Mr K has with other banks.

I asked Lloyds about the status of Mr K's account – and it wasn't a student account. It was

therefore run as a 'normal' account, including the expectation that credits would be paid in. Which of course, didn't happen.

Therefore, having carefully considered the circumstances, on balance, I am not asking Lloyds to do anymore here. I agree with what our investigator said – Mr K can contact the CRAs and lodge a 'notice of correction'.

This would explain his circumstances as to why the default occurred. Then, prospective lenders can see that and take that into account – although it is down to individual lenders as to how they view the information. It doesn't mean the default is removed, or ignored by lenders, but they may take consider it when looking at Mr K's credit records.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 June 2024.

Martin Lord  
**Ombudsman**