

The complaint

Mr W complains that Lloyds Bank Plc (Lloyds) have unfairly applied charges to and defaulted his current account. He says he updated his address with Lloyds but still didn't receive a notice of default. He would like the charges refunded and the default removing.

What happened

Mr W held a joint current account with his ex-wife, who he is no longer in contact with. The account had an overdraft of £500. For ease I have set out what happened chronologically.

In September 2022 Lloyds wrote twice to both account holders at the address they had on file for them. For Mr W this was his old address. This letter was triggered by the account exceeding its overdraft limit.

As the account wasn't brought within its limit a further letter was sent on 5 November 2022, again, this was sent to the address on file which is Mr W's old address.

On 29 November 2022 he called Lloyds to close the account. At this point he was informed the account had been accruing charges and was £589 overdrawn which exceeded the agreed limit. In this call the advisor asked verification questions and Mr W verified his old address.

Mr W lets the advisor on the call know he would like a payment plan and for the account to be closed or frozen.

In the call the advisor let Mr W know they'd put a 30 day hold on the account to prevent any further fees accumulating. They also go through Mr W's income and expenditure with him to try and set up a repayment plan. The results of this show that Mr W's outgoings exceed his income and as a result a payment plan can't be set up. The advisor gives Mr W the option to complete his own income and expenditure but Mr W declines this. They discuss whether it would be possible for Mr W to repay the overdrawn balance in the next 35 days and Mr W explains he wouldn't be able to do that.

The advisor explains to Mr W that as a payment plan isn't affordable the only option left is to close the account. They explain the account will close in two months' time at which point a default will be registered. The advisor tells Mr W that, even if the debt is repaid after that point, the default will remain on the credit file for 6 years and may make getting credit harder. The advisor says notices of this will be sent to Mr W by post. Mr W asks if they can be sent by email and the advisor confirms this isn't possible and they can only be sent by post.

The advisor checks that Mr W is happy with the course of action and he confirms he is. The advisor also looks to make an appointment in branch for Mr W to downgrade the account as the team who normally do that are now finished for the day.

On 30 November 2022 an account closure letter is sent to Mr W at his old address. This is followed by a demand for payment on 6 December 2022, and final demand and notice of default on 5 January 2023.

Mr W then visits a branch for an appointment on 13 January 2023. I've listened to a recording of the meeting, and I can hear Mr W does give his current address at this meeting when going through verification. In this meeting the account is downgraded, and the advisor confirmed that the fees incurred had been refunded to the account. No payment plan was discussed.

On 2 February 2023 the account closed as planned and a default was registered a few days later.

On 4 April 2023 Lloyds sold the debt to a third party. Around this time Mr W raised a complaint. Lloyds responded to say it had followed the process set out in the call on 29 November 2022 and had written to Mr W several times about the account. It said Mr W had called on 31 March 2023 to update his address, but it didn't have any record of this happening before that time. It also noted that it was the customers responsibility to ensure the correct address was provided to them.

Unhappy with this response, Mr W referred the case to this service. One of our investigators considered the case but didn't think Lloyds had acted unfairly. As Mr W didn't accept the investigators view and maintained that he did update his address, he asked for the case to be considered by an ombudsman.

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.

It's important to note that I'm only considering the issues here as they affect Mr W. In addition to this, as the charges have already been refunded to the account, I will focus on the crux of this complaint which is whether Lloyds have fairly defaulted the account.

Having thought about this case carefully, I'm minded to reach the same outcome as the investigator for broadly the same reasons. I'll explain why.

Mr W as an account holder had a responsibility to update Lloyds with any new address details and on the evidence available, I can't see he did this until March 2023.

I've listened to the recordings of the call in November 2022 and the meeting in January 2023 and at neither point did Mr W make a request to update his address. From the call in November 2022 Lloyds made it clear that the account would be closed in two months' time and if a balance was outstanding, a default would be recorded when the account closed. It also made it clear that notices in relation to this would be sent to him by post. This gave Mr W an opportunity to update his address and consider whether there was a way he could settle the account in that time.

I accept that at the start of the in-branch meeting on 13 January 2023 Mr W gave his current address, which should have been picked up on by the advisor he was speaking with. However, even if the advisor had updated his address at this point, it would have been too late. I say this because the notice of default had been sent by Lloyds on 5 January 2023.

I appreciate that Mr W has said he updated his address before 13 January 2023 when he went in to book an appointment. However, he hasn't been specific about the date. He's also said he feels more should have been done to make him aware of the accounts situation when he did go into branch on 13 January 2023.

I've thought carefully about this and although I can understand Mr W's point of view, I don't think Lloyds has acted unfairly here. The branch appointment was to down grade the account which was achieved. The advisor Mr W spoke to in November 2022 had explained what would happen with the account. In this call it was established that a payment plan wasn't affordable, and Mr W was asked to contact Lloyds if his situation changed. I can't see Mr W contacted Lloyds at any point with new or additional information that would have made a payment plan possible. I also can't see he attempted to make repayment to the account prior to it being defaulted. Given all of this had already been established and the branch appointment was to downgrade the account, I wouldn't have expected the in-branch advisor to go through this again, unless prompted by Mr W – which I can't see happened.

I know Mr W has said he changed his address in branch in early January (before the meeting), but Lloyds have no record of this. Mr W also hasn't been specific about the date so, I can't be certain this took place before the default notice was issued on 5 January 2023.

Even if I was persuaded Lloyds failed to update Mr W's address before the last default notice was issued, in November 2022 Lloyds made Mr W aware that the account would default in two months' time, when it closed, if no payments were made. So, even though Mr W didn't receive any postal correspondence about the account, I think Lloyds had given him enough information in November 2022 for him to be reasonably aware he needed to take action to repay the overdraft before the account closed in two months' time. I can't see Mr W did this and so, I don't think it was unreasonable for Lloyds to apply the default as it was an accurate reflection of the conduct of the account.

Having taken everything into account here, I don't think Lloyds have acted unreasonably in applying the default and so I won't be asking it to remove it on this occasion.

My final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 June 2024.

Charlotte Roberts
Ombudsman