

## **The complaint**

Mr S complains Lloyds Bank PLC (“Lloyds”) closed his account which was in an unarranged overdraft and registered a default against him in 2022 with credit reference agencies. Mr S says Lloyds didn’t notify him nor followed a fair process in doing so.

To put things right, Mr S wants Lloyds to remove the default from his credit file.

## **What happened**

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

The default marker was registered and the was account closed by Lloyds in May 2022. In late 2022, Mr S complained about the actions Lloyds had taken. Lloyds didn’t uphold Mr S’ complaint. In its final response, and in summary Lloyds said:

- As the account was in an unarranged overdraft from October 2021, and as Mr S had not made any payments to clear it, several letters were sent to him to contact it
- The letters were sent to the address Lloyds held for Mr S between August 2021 and April 2022, and Lloyds asked Mr S to make contact before the account was closed
- Lloyds increased the free part of Mr S’ arranged overdraft from £50 to £500 between April and July 2020 to help with managing through the pandemic
- As Lloyds had not been able to speak to Mr S about his unarranged overdraft, it closed his account and registered a default. The debt was sold to a third-party debt management company who then managed the account
- Lloyds must show a true and accurate reflection of the status of Mr S’ account, so it can’t be removed

Mr S referred his complaint to this service. After a jurisdiction issue was dealt with, one of our Investigator’s looked into the merits of Mr S’ complaint. They didn’t recommend Mr S’ complaint is upheld. In short, their key findings were:

- Lloyds gave Mr S adequate notice to bring his account to order or to contact it if he was experiencing financial difficulties. These notices made it clear what would happen if Mr S didn’t do so, and the letters were sent to the contact address Mr S had registered with Lloyds
- At the time Mr S established contact with Lloyds his account had already been passed to a third-party debt management company in line with its processes
- In registering the default, Lloyds followed its obligation to report the conduct of its customers’ accounts accurately and truthfully to credit reference agencies. So Lloyds

doesn't need to remove it

Mr S didn't agree with what our Investigator said. Some of the key points he made in response were:

- His grievance primarily stems from the lack of any notification, except for automated emails urging Mr S to log into his online banking. So Mr S' complaint pertains to the closure of his account without notice – and the subsequent registration of a default notice
- Mr S questions how Lloyds can assert it sent the letters without any evidence
- Despite Mr S' transient status, he remains legally registered at his previous address throughout the period he was homeless, and he'd explained this to the third-party debt management company
- If his complaint isn't successfully upheld, Mr S will take legal action against Lloyds on the grounds of:
  - Closure of account without notice
  - Termination of mobile banking access without notice
  - Refusal to amend the mobile number associated with the account
  - Permitting the accumulation of an unarranged overdraft without notice
  - Misrepresentation of the ownership of debt

Mr S also says he spoke to Lloyds in April 2021 after he had obtained a new mobile phone SIM card. And during this phone conversation he clearly explained the importance of updating his mobile phone number to help resolve any issues. Mr S says he also explained he couldn't attend a branch. Mr S feels Lloyds deliberately denied him access to both his online and mobile banking.

As there is no agreement, this complaint has been passed to me to decide.

### **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.

Having done so, I've decided not to uphold this complaint. I'll explain why.

I know Mr S feels strongly about his complaint, and I can understand why this is so important to him given what he says about the impact the default marker is having on him. I'd also like to assure Mr S that I've carefully read all his submissions and I don't doubt how difficult a time he went through during the pandemic.

I must add that my role here isn't to comment or determine points based on wider economic observations Mr S has made in relation to Lloyds and the financial crisis of 2008. But it is to determine his complaint, as summarised above.

The crux of Mr S' complaint is that Lloyds didn't notify him he needed to make payments towards his overdraft, that it was closing his account, and a default marker for the debt would be registered against him.

Mr S has provided a detailed timeline and has in short also explained that:

- He had to move out of his registered address due to significant issues with his landlord at the time
- He was made homeless as a result
- His mobile phone was too old and so it didn't support Lloyds' banking app
- Because of his circumstances he had to move abroad and live with friends and family
- He needed critical medical treatment whilst abroad

Lloyds has sent me copies of letters it sent to Mr S at his registered address. Broadly, the letters are formal demands of payment from Mr S to pay off his overdraft balance, and what to do if he can't pay it off and call Lloyds to arrange a repayment plan. The copies I've seen are dated August 2021, February 2022, and March 2022. One of the August 2021 letters also says Mr S' credit rating could be affected if no payment is made and the implication this could have on him.

Another letter dated April 2022 asks Mr S to get in touch with Lloyds in 30 days before it closes his account. Mr S' account was then closed in May 2022.

The address the letters were sent to match the internal records Lloyds held for Mr S. I note also Mr S says this remained his legally registered address during the time he was homeless. Mr S' timeline shows he was homeless at the time these letters were sent.

Mr S questions whether these letters were sent and what evidence there is to support this. Lloyds has sent me its internal technical collection notes. And having reviewed this closely, I'm satisfied they show these letters were sent to Mr S.

Mr S has explained that Lloyds obstructed him from updating his mobile number in April 2021 with it. But after searching its systems, Lloyds has no record of such a call taking place. But that doesn't mean to say it didn't as there could be a myriad of reasons why a call isn't recoverable. But Lloyds has also sent me its internal call notes for contact with Mr S and I note the only call recorded here since 2017 was in December 2022 when Mr S raised this complaint.

So taken together, and on balance, I can't be satisfied Lloyds did anything wrong on a call that Mr S says he was obstructed from updating his mobile number.

Mr S says that the only notification he got were prompts to open emails sent to his online banking platform. But due to the issues with the age of his phone and changing mobile operator he couldn't access this. Lloyds has sent me screenshots of its systems that show messages and/or emails sent on its online banking platform relating to the account being overdrawn were opened in February, March, April, August, and September 2021. One of the other messages that appears opened says Lloyds tried contacting Mr S in August 2021 by text.

So based on this information it appears Mr S was aware that his account was overdrawn, and Lloyds were trying to contact him about it.

Having said that, the main issue I need to determine is whether Lloyds acted in line with its processes and did so fairly and reasonably in the way it communicated with Mr S about repaying his unarranged overdraft and later, closing his account.

Having given this careful thought, I think that it has. It attempted to contact Mr S on a frequent basis against the contact details it held and did so over a prolonged period before deciding to close the account and administer the default. Mr S had a duty to inform Lloyds of how to contact him, and if this wasn't possible Mr S could still have gone into one of its branches to check on the status of his account when he was in the UK. And as I've said, I'm not persuaded Lloyds obstructed Mr S from updating his mobile number.

So, I don't think Lloyds did anything wrong in the way it tried to communicate with Mr S. It's also for this reason that I don't think Lloyds has done anything wrong in registering the default against Mr S. After all, Lloyds has an obligation to accurately report the status of its customers' accounts to credit reference agencies.

That means I won't be asking Lloyds to remove any adverse markers its registered against Mr S.

As I said earlier, Lloyds notified Mr S after several letters that it would close his account if it still didn't hear from him. So I think fair notice was given. And as Lloyds didn't hear from Mr S over a reasonable period, and the account remained in an unarranged overdraft, I'm satisfied Lloyds acted fairly in the closing the account in the way it did.

### **My final decision**

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 June 2024.

Ketan Nagla  
**Ombudsman**