

The complaint

Ms B has complained that Lloyds Bank PLC irresponsibly and unfairly continued applying charges to her overdraft resulting in her financial position getting worse.

What happened

Ms B was provided with an overdraft on her student account which became a graduate account. She says that since then her overdraft should have been removed as she has lived in her overdraft constantly paying fees and interest putting her in a cycle of debt. This has caused her to struggle both financially and mentally. She believes her overdraft should have been removed years ago to allow her to improve her financial position.

Lloyds issued a final response dated 2 February 2024. It said Ms B's graduate account changed to a classic account around August 2019 from which point interest was chargeable on the overdraft. It said that having reviewed Ms B's account statements she was using her overdraft for short-term borrowing and that she had reduced and paid off the overdraft several times. It said Ms B's account was receiving payments including salaries and that Ms B wasn't consistently in the overdraft for long periods. It didn't accept that the overdraft was being provided irresponsibly.

Ms B wasn't satisfied with Lloyds' response and referred her complaint to this service.

Our investigator didn't uphold this complaint. He said that having reviewed Ms B's account there weren't signs of financial difficulty. He noted the overdraft was being used on a monthly basis but didn't think this was such that Lloyds needed to do anything differently. He said Ms B was receiving monthly payments that cleared the overdraft balance and often left the account with a considerable surplus. He accepted that Ms B was upset by the charges and fees she had incurred but said the overdraft was a credit facility for which charges could be applied and he couldn't see that the charges had been applied incorrectly.

Ms B didn't agree with our investigator's view. She said that had Lloyds carried out regular checks it would have seen that she was unemployed for a period in 2016 and for a time in 2018 and 2019 and that she was on maternity leave in 2020 and 2021. She said she had a repayment plan in place for her tax debt and had issues paying her council tax and that she was relying on money from family and friends that she still needed to repay. She explained she contacted a debt advice charity in 2021 and it was their opinion that she was borrowing from one party to repay another. She noted that overdrafts were for short-term borrowing but she was consistently in her overdraft and while money was coming in this only took her out of the overdraft for a short period.

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.

This decision is about Lloyds continuing to provide Ms B with an overdraft and applying charges even though she says it should have been clear that this wasn't responsible lending.

Lloyds will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So, I don't consider it necessary to set all of this out in this decision.

Ms B has explained that she first had the Lloyds account with an overdraft as a student and this then transferred into a graduate account. During this period Lloyds has explained that the overdraft was interest free. Ms B's complaint is about Lloyds continuing to provide the overdraft, and applying interest and charges, after this time.

Lloyds has noted that Ms B's account changed to a classic account around August 2019 from which point interest and charges have been applied for Ms B's overdraft usage. While I note Ms B's comment about not working in 2016 and 2018 this was before interest and charges were applied. I have looked at Ms B's circumstances from when charges were applied to the overdraft.

The rules, guidance and good industry practice in place typically require a bank to review an account on an ongoing basis. And it is generally accepted that a bank should review a customer's overdraft usage on an annual basis. Having looked at the statements provided; I can see that renewal dates were set for August 2019 (when the account transferred to a classic account) then August 2020. The renewal date then changed to March (being March 2021, 2022, 2023 and 2024). I have considered what Lloyds would have identified based on ongoing monitoring and reviews carried out at the renewal dates.

Between August 2019 and August 2020, Ms B's account was mainly in credit. She used the overdraft on occasions, but this tended to be for a few days before the account was brought back into credit. The exception was in February 2020 when the account was in the overdraft for most of the month. But as the account was then brought back into credit and remained in credit until July (when it was overdrawn for a couple of days) I do not find that the account usage raised concerns that Ms B was in financial difficulty or that Lloyds was required to take any action at this time.

Looking through the account leading up to March 2021, while Ms B was using the overdraft, she didn't use it every month and was only in her overdraft for short periods. Between March 2021 and March 2022, while Ms B increased her use of the overdraft, and in some months spent only a few days in credit, she was still able to regularly clear the overdraft. I note Ms B's comment about receiving money from family and friends but as payments were being made into the account which were able to bring the account into credit for periods each month, I do not find I have enough at this point to say that Lloyds was required to take further action.

Between March 2022 and March 2023, Ms B continued to use her overdraft most months. However, she was still able to clear the balance and spent periods each month in credit. Ms B received a large payment into the account in November 2022 and following this her account remained in credit for December 2022 and was only in the overdraft for short periods the following two months. So, I do not find that a review carried out in March 2023 would have suggested that Lloyds needed to take further action.

Between March 2023 and January 2024, Ms B was spending substantial amounts of time in her overdraft. I think this could have begun to raise concerns that the overdraft was no longer being used for short term debt or emergencies. But as she was still able to clear the overdraft for periods, I do not find I have enough to say at this point that the debt had become hardcore borrowing. Ms B then received a large payment into her account in January 2024 which meant her account remained in credit until March 2024 and so I wouldn't have expected Lloyds to have taken any further action at the March 2024 review.

In conclusion, while I can see that Ms B was spending time in her overdraft, as she was able to clear and reduce the overdraft on regular occasions and there were periods when she wasn't using the overdraft, I do not find I have enough to say that Lloyds was required to take further action.

I note Ms B's comments about the interest and charges applied to her account but I do not have anything to suggest that these haven't been applied in line with the terms and conditions and so, in this case, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 5 July 2024.

Jane Archer
Ombudsman