

The complaint

Mrs O complains that Lloyds Bank PLC (Lloyds) unfairly closed her account (the Account)

What happened

There is little dispute between the parties about the core events in this case. As I understand them, they are as follows:

- In or around January 2023, the Account entered into an unarranged overdraft in excess of £900. And after engaging with the bank, a three-month repayment plan was put in place to help Mrs O begin clearing the amount.
- In conformation of the repayment plan, (Plan 1), Lloyds wrote to Mrs O at the address listed in their records as follows:

“Balance £916.74”

We’ve put a plan in place to help you with your total overdraft balance.

When will your plan start?

You will need to make sure you pay enough money into the account to reduce your balance by £50.00 on 28 February 2023. Your plan will end on 28 April 2023.”

- In May 2023, following a conversation between Lloyds and Mrs O, a fresh repayment plan (Plan 2) was put in place. At the time the balance of the overdraft stood at £780.16.
- On 23 May, Lloyds wrote to Mrs O again setting out the terms of Plan 2 as follows:

“We’ve put a plan in place to reduce your unarranged overdraft

Thank you for speaking to us the other day. We know how tough it can be to talk about money, so were grateful for your call.

We’re glad to let you know that the payment plan we spoke about is now in place.

We’ve set it out below — and hope that it will really help you stay on top of things. Please take a look and check that everything’s right.

When will your plan start?

You will need to make sure you pay enough money into the account to reduce your unarranged overdraft by £99.00 on 23 June 2023.

What will happen next?

You will need to keep reducing your unarranged overdraft balance by £99.00 on the same date each month until your plan ends on 23 January 2024”.

- Mrs O missed the first month’s payment scheduled for 23 June in accordance with Plan 2. And this meant her repayments fell into arrears. In light of this, Lloyds wrote a series of letters to Mrs O requiring clearance of the arrears – including on 17 October 2023 when they sent her a Formal Demand. Lloyds told Mrs O that she needed to clear the £491.28 outstanding balance immediately, or alternatively, if that wasn’t possible, to at least make a payment of £97.28 to clear the arrears. The letter also warned Mrs O about the likely impact on her credit file. Lloyds said they sent text messages to Mrs O also requesting clearance of the arrears.
- In November 2023, the balance of the overdraft stood at £391.28 with existing arrears of £96.28.
- On 23 November, Lloyds wrote to Mrs O to say:

“Please get in touch before we close your account

We’ve recently been in touch about the amount owed for your unarranged overdraft. We haven’t received a payment so far to bring your account into credit. This means there’s £96.28 owed. If we don’t hear from you or receive a payment to clear your unarranged overdraft within the next 30 days, we’ll close your bank account.

It’s not too late to make a payment

If you’re able to, please make a payment for at least £96.28 by 7 December 2023. This will stop us closing your account. You can make a payment into your account at your nearest branch, or by calling us on the number at the top of this letter. You can also transfer money into your account using internet Banking or the mobile app.”

- On 4 December, Mrs O paid £100 into the Account.
- On 4 January 2024, Lloyds closed the Account with an outstanding balance of £241.28 and the debt was passed to recovery agents. Late payment markers were also placed on Mrs O’s credit file.
- Mrs O believed the bank’s action was wrong in light of the payment she made on 4 December. She also believed the late payment markers should be deleted.
- But Lloyds disagreed and so Mrs O referred her complaint to this service to look into.

What our investigator said initially

Our investigator upheld the complaint. She did so, on the basis she noted that the closure letter issued to Mrs O on 23 November, told her specifically that repaying £96.28 into the Account by 7 December, would stop it from closing. And yet, although Mrs O paid slightly more than the required amount before this date, the Account still closed

She noted Lloyds' submission that Mrs O would've needed to repay more to keep the Account open in any event because of the arrears position. But she didn't think Mrs O was made aware of this. And so, she believed Mrs O made the required payment in the expectation that the Account would be kept open. As Lloyds closed it, Mrs O was caused distress and inconvenience for which she recommended a payment to Mrs O of £100 in compensation.

What happened after our investigator's initial opinion.

Mrs O didn't accept the investigator's opinion. She wanted the adverse credit information removed from her credit file. In addition, she believed appropriate compensation should be in the order of £5,000. She said adverse credit entries on her file impacted her ability to obtain car finance to buy a car to get to and from work. Consequently, she said she missed out on available shifts to enhance her income and eventually she lost her job.

Lloyds in turn made further submissions to us saying:

- It was because of Mrs O's breach of Plan 2 that the Account was closed. The plan agreed on the telephone was to end on 23 January 2024. This was the arrangement Mrs O broke by not making the required first payment by 23 June 2023. And that omission led to the bank issuing multiple letters and text messages to Mrs O in the hope she'd remedy her default.
- The bank observed that in Mrs O's complaint submission, she stated that because the bank's letters went to her old address, she did not receive any of them – including the 23 November 2023 letter. So, contrary to the investigator's conclusion, there can't have been any loss of expectation for which Mrs O should be compensated since she did not receive 23 November letter to give rise to any expectation. Besides, the bank was not at fault for sending letters to the address it had in its records for Mrs O since she did not provide the bank with her up to date address details.

Our Investigator's second opinion.

After reviewing the parties' submissions, the investigator revised her opinion as follows:

- On the basis therefore of Mrs O's testimony that she did not receive the bank's letters, including the one dated 23 November 2023, she agreed with Lloyds that because they went to Mrs O's old address, and therefore unseen, there was no loss of expectation that the Account would be kept open if she paid the amount the bank demanded. That meant she could not reasonably require Lloyds to pay Mrs O compensation as originally, she'd concluded.
- Mrs O had a responsibility to provide the bank with her up to date address after moving to her new address. And this formed part of the terms and conditions of the Account. Lloyds, therefore, were not at fault when they sent correspondence to Mrs O at the address in their records.
- The late payment markers were correctly recorded against Mrs O so, there was no reasonable basis for requiring the bank to remove them.

Mrs O did not accept the investigator's revised opinion and asked for an ombudsman to review the complaint. So, it's been referred to me for that purpose.

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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I start by saying how sorry I am to hear about Mrs O's circumstances. Being faced with having to repay a significant unarranged overdraft debt was clearly difficult, and the financial impact seemed to have been quite significant.

So, I was pleased therefore, to see that in January 2023, Lloyds put in place Plan 1 to help Mrs O to begin bringing the balance down and, in the process, also agreed to freeze interest and charges for which she'd otherwise have been responsible.

That being said, the circumstances that have led to this complaint arise from the events surrounding Plan 2 and ultimately, the closure of the Account. As I've noted above, in her second opinion, the investigator concluded that Lloyds did nothing wrong. But Mrs O disagrees. So, I've thought about that.

It seems to me, however, that in order for me to require Lloyds to compensate Mrs O for the closure of the Account, I'd need to find that Lloyds had made an error or acted unreasonably. But like the investigator, I don't think they did. I'll explain why.

The evidence from Lloyds show that they discussed Plan 2 with Mrs O. And Lloyds followed up their discussions by writing to Mrs O setting out the terms of the plan.

Mrs O broke the agreement that she entered, by missing the first repayment which was due on 23 June 2023.

To get things back on track Lloyds wrote a series of letters to Mrs O, which I've seen, and they made clear what she needed to do to put things right. But she did not.

I'm aware it's Mrs O's case she did not receive the letters because she'd changed addresses – the most recent move being on 10 April 2023. And Mrs O acknowledges she did not tell Lloyds what her new address was. But the terms and conditions of the Account places the following obligation on Mrs O:

"You must tell us if your name or contact details change. if you don't you may miss out on important information, or we could send confidential information to the wrong address. If this happens it won't be our fault"

In light of this, I don't think I can reasonably blame Lloyds for sending their letters to the address they had in their files for Mrs O.

Furthermore, Mrs O hasn't challenged Lloyds' submission that not only did they write to her, they sent her text messages as well. I've no evidence Mrs O responded to those messages. Lloyds closed the Account on the back of their 23 November 2023 letter. And I acknowledge Mrs O paid £100 into the Account on 4 December 2023.

But I'm satisfied this was in line with her normal payment arrangement rather than in response to the 23 November letter. In particular as it is Mrs O's case, that she'd not been receiving correspondence from Lloyds and therefore did not see that letter. It follows

therefore, that I'm not persuaded Mrs O paid the £100 that she did on 4 December in the expectation that the bank would not follow through with its intention to close the Account. And as the Account continued to be in arrears because the position had not been rectified since June 2023, it's difficult to criticise Lloyds for taking the action they did.

In other words, in light of Mrs O's failure to adhere to Plan 2 and to Lloyds' various letters asking her to put things right, I don't think I can fairly say Lloyds acted unfairly when they closed the Account.

Although I sympathise with Mrs O that she did not receive the letters because they went to her old address, nonetheless, here too I don't think I can reasonably blame Lloyds for that. And I say that because it was Mrs O's responsibility to give Lloyds details of her new address so that she could receive correspondence. And besides she has provided no evidence in rebuttal to Lloyds' submission that as well as the letters they also sent text messages inviting her to clear the arrears.

Finally, I appreciate Mrs O now has adverse credit information on her credit file and in all likelihood, this will impact her ability to access credit. But Lloyds has a responsibility to accurately record credit information on the credit file of customers. And I'm satisfied Mrs O's payment history under Plan 2 is accurately reflected in the recorded information – meaning I cannot fairly require Lloyds to remove the entries.

My final decision

For the reasons explained above, my final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 27 January 2025.

Asher Gordon
Ombudsman