

## The complaint

Miss W complains about Lloyds Bank PLC treating her unfairly by dictating how she repays the debit balance on her bank account and not agreeing to her repayment offer.

## What happened

I issued a provisional decision on 20 May 2024, and this is what I said:

*I've considered the relevant information about this complaint.*

*Before I issue my final decision, I wanted to give everyone a further chance to reply.*

*I'll look at any more comments and evidence that I get by 3 June 2024. But unless the information changes my mind, my final decision is likely to be along the following lines.*

### *The complaint*

*Miss W complains about Lloyds Bank PLC treating her unfairly by dictating how she repays the debit balance on her bank account and not agreeing to her repayment offer.*

### *What happened*

*Miss W has a bank account with Lloyds. This was set up when she was a student with a £2000 overdraft.*

*In late 2020, having used most of this overdraft facility, Miss W had financial difficulties and, to help her, Lloyds agreed to freeze interest for three months.*

*Due to a Lloyds system error interest wasn't reapplied until 2023. So, even though Miss W didn't make any payments and reduce her debit balance, interest and subsequent fees weren't applied and the balance remained within the overdraft limit.*

*When interest and a fee (for exceeding the overdraft limit) were belatedly charged, Miss W remembered that she had the account and a debit balance. She realised she needed to make monthly repayments to keep her balance within the overdraft limit and reduce the interest accruing.*

*Miss W complained to Lloyds about not being informed that they were going to charge her interest. Lloyds apologised for the lack of notification and reversed the interest and fee, putting Miss W's account back within the £2000 overdraft limit.*

*Miss W said she had forgotten about the account / debit balance and didn't want to go over the overdraft limit and pay fees. Also, that she was still in financial difficulty with no spare money after deducting monthly expenditure from her income.*

*Lloyds repeatedly offered Miss W a repayment plan and / or a default. However, Miss W has refused this as they are detrimental to her because they are recorded on her credit file.*

*Miss W insists on an exceptional repayment arrangement and proposes that Lloyds freeze interest and accept payment in instalments without asking her further questions about her ability to repay the credit she owes them.*

*Lloyds agreed to further interest freezes but only whilst Miss W explored her options. With no payments or plan agreed Lloyds said they would close her account.*

*Miss W feels Lloyds are treating her unfairly. This is because:*

- A. She feels they put her in this difficult financial position.*
  - o Miss W explains she was overseas between 2020 and 2023 and she forgot about the debit balance until she was made aware, in 2023, that her balance exceeded the overdraft limit due to interest being re-applied.*
- B. Lloyds won't accept her proposal and she feels they are dictating to her.*
- C. Lloyds say a plan can only be agreed with a financial assessment, yet Miss W says one was completed on 7 July 2023.*

*Miss W brought this dispute to our service. Miss W wants Lloyds to accept her repayment proposal without a 'mandatory financial review'. However, our investigator didn't uphold her complaint.*

*As Miss W remains dissatisfied her complaint has been referred to me to look at.*

*What I've provisionally 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, my provisional decision is to not uphold this complaint. I'll explain why and will focus on what I think are the important points to reach a final decision. But I've carefully considered all the points Miss W has made, even if I don't specifically address them all.*

*I listened to all the call recordings held by Lloyds. This included a call Lloyds have listed as 16 August 2023 which appears to be the call Miss W references as 7 July 2023. On this call:*

- Miss W was informed that, after providing her interest freeze support, Lloyds' system failed to reapply interest in 2021 and they should've notified her of the correction.*
- Miss W asked for support as she couldn't afford the fees that would soon be applied due to interest being reinstated.*
- A partial financial assessment, which gave Lloyds 'a better feel' of Miss W's finances, was completed. And, after Miss W said a) that she had no spare funds after her monthly expenditure was deducted from her income b) she didn't want to pay any fees, the Lloyds representative gave her an option which was to close / default her account. But Miss W didn't want this option, due to the impact on her credit file, and the call concluded with her being signposted to support and being given an additional interest freeze to consider her position.*

*From listening to subsequent calls, I found Miss W's employment and financial situation changed. So, as Miss W wanted a Lloyds plan, a further financial assessment would've been necessary.*

*Although Miss W wanted a plan, she didn't want to complete an assessment, pay interest, pay fees or have a plan that would impact on her credit file. Miss W suggested a number of different repayment periods with amounts ranging from £50 to £250 and is confident she can repay but she doesn't want to answer any questions about her ability to repay. I think Lloyds are entitled to ask questions to verify how Miss W would be able to repay the credit she had taken out with them before agreeing a plan.*

*With regards to repayment plans:*

- *As Miss W refused further financial assessments, Lloyds haven't been able to establish that Miss W can't pay the monthly interest due and / or has an affordability issue.*
- *Lloyds have legal and regulatory responsibilities to file reports, to Credit Reference Agencies, where customers require a plan and are unable to meet the terms and conditions that they agreed to when taking out credit.*

*I appreciate Miss W wishes to repay the credit she has borrowed and understand why she doesn't want to pay interest / fees or take out Lloyds' plans. However, I think it was fair and reasonable of Lloyds to give Miss W further interest freezes and an account closure deadline of 7 December 2023 to complete a financial assessment and agree a plan.*

*File notes show that in January 2021, after supporting Miss W with a three month interest freeze, she couldn't afford to make payments and Lloyds should've agreed a plan and / or defaulted her account soon after when payments didn't materialise. Instead, a system error gave Miss W a significant interest freeze period and, as the overdraft wasn't exceeded, there wasn't a requirement for Lloyds' collection team to make contact.*

*The terms that apply here are those that Miss W agreed to when she opened the account. These include the following:*

- *'This agreement will last until you or we cancel it.*
- *When this agreement ends you must: repay any money you owe us; pay any charges up to the date the agreement ends'.*

*And Lloyds have served Miss W with a closure letter. Also, when they provide credit in the form of an overdraft facility, they are entitled to make decisions on whether to apply interest and fees. In addition, Lloyds have legal and regulatory responsibilities when agreeing repayment plans.*

*For the following reasons, I think it more likely than not that Miss W was aware she had the account with a debit balance and was benefitting from the interest being frozen for a significant period:*

- *The discussions Miss W had with Lloyds about her financial difficulties in 2020/21*
- *Transactions showing on her account in 2022 and 2023 prior to Lloyds' reinstatement of interest:*
  - *Miss W commented that she reversed transactions in 2022 and 2023*
  - *Most of these were credits that Miss W immediately withdrew*

*Also, I'm not persuaded that Lloyds' mistake, in delaying the re-application of interest and not notifying Miss W, was the cause of her being in a difficult financial situation.*

*I understand Miss W wanting to avoid a default and / or negative information on her credit file and her reasons for wanting to set her own plan. However, considering Miss W's refusal to both undertake a financial assessment and agree to a plan which involves entries on her credit file, I think it was reasonable of Lloyds to say the alternative is account closure and / or a default.*

*So, having considered all the above I don't think it's either an unfair or unreasonable action for Lloyds to close and default Miss W's account on 7 December 2023. And my provisional decision is not to uphold this complaint.*

*My provisional decision*

*For the reasons I've given above, it's my provisional decision not to uphold this complaint.*

*I'll look at anything else anyone wants to give me – so long as I get it before 3 June 2024.*

*Unless that information changes my mind, my final decision is likely to be as I've set out above.*

### **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.

Following my above provisional decision, I didn't receive a response from Miss W and Lloyds said they had nothing to add.

So, as no further arguments or evidence have been produced in response to my provisional decision my view remains the same. I therefore adopt my provisional decision and reasons as my final decision.

### **My final decision**

My final decision is that I'm not upholding this complaint against Lloyds Bank PLC.

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

Paul Douglas  
**Ombudsman**