

The complaint

A company, which I will refer to as M, complains that Lloyds Bank Plc initially agreed to provide an overdraft facility, then changed its mind and refused to reinstate M's overdraft.

What happened

M's director told us:

- He has been a loyal customer of Lloyds since the 1970s.
- He asked Lloyds to renew M's existing overdraft. Lloyds took a long time to make a decision, then confirmed on 18 April 2024 that the facility had been approved. The bank reversed that decision on 22 April 2024, and later made a formal demand for M to repay the overdraft in full.
- After Lloyds refused to renew M's overdraft, M's bank account was effectively frozen – yet Lloyds continued to take account and service charges every month even though M could not use Lloyds' services.
- To resolve the complaint, he would like M's overdraft to be reinstated and bank charges to be refunded. He was also like the opportunity to discuss financial compensation for business damage incurred due to delays caused by Lloyds.

Lloyds told us:

- M's overdraft of £25,000 was initially agreed until 24 November 2023.
- It gave a short extension to allow M's director to provide information about his business. He provided the information it requested, but after reviewing that information it was not prepared to allow the overdraft to continue.
- M's director was not prepared to discuss a repayment plan, and explained that he wanted Lloyds to reinstate the overdraft.
- In April 2024 it issued a formal demand for payment of the debt.
- It accepts that it gave M's director poor service over the phone, and it has sent him a cheque for £100 to apologise. But it remains satisfied that it was correct to decline M's overdraft application, and it is not prepared to reinstate the overdraft.

One of our investigators looked at this complaint, but did not uphold it. He thought that Lloyds had acted reasonably when it declined to extend M's overdraft. He also said that the reason M's account was restricted was that M was close to £25,000 into an unarranged overdraft, so Lloyds stopped further usage of the account. He thought it was fair for Lloyds to do that, and also that it was fair for Lloyds to continue to apply the charges that M had agreed to pay.

Our investigator did accept that Lloyds had given M's director misleading information over the phone, in that the bank had told him on 18 April 2024 that the overdraft application would be approved only to correct itself on 22 April 2024. But he thought the £100 Lloyds had already paid was sufficient to compensate M for the inconvenience and disruption the bank's mistake caused.

Lloyds accepted our investigator's opinion, but M's director did not. He pointed out that he has had to make complaints about Lloyds in the past, and he does not have confidence in the bank's ability to charge the correct fees. He also provided further information about his health.

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.

Whilst I am sorry to further disappoint M's director, having done so there is very little I can add to what our investigator has already said.

Ultimately Lloyds is entitled to decide that it does not wish to offer overdraft facilities to M. Lloyds has provided me with evidence to explain why it made its decision, and having reviewed that evidence I am satisfied that the bank acted fairly.

As our investigator explained, Lloyds had the right to demand repayment of the overdraft facility. Having reviewed all of the evidence provided by both parties, I consider that the bank acted fairly and reasonably in making that demand.

I know M's director is very unhappy that the bank applied charges when he was effectively unable to use M's account. He has also suggested that Lloyds' charges might not be accurate – but he has not identified a problem with any individual charge.

It is clear that M's director has been through an extremely difficult time, and I thank him for his openness with us. He has experienced health problems, and I was very sorry to see that he says the stress caused by communication issues with Lloyds have impacted both his health and his ability to attract new customers to M. But I can also see that he told Lloyds that he was well enough to continue to service M's regular customers, and that he expected that M's income would increase over time.

In the circumstances, and taking into account that I have not seen any evidence to suggest that M's director was willing to work with Lloyds to discuss a repayment plan, I don't think Lloyds did anything wrong when it applied charges to M's account.

I can see that Lloyds has already referred M's director to a number of organisations that may be able to support him, including Business Debtline and MoneyHelper. If he has not already done so, I would encourage him to approach one or more of those organisations.

My final decision

My final decision is that I do not uphold this complaint against Lloyds Bank Plc. Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 11 March 2025.

Laura Colman

Ombudsman