

The complaint

Mr H complains that Lloyds Bank PLC defaulted his overdraft account without his knowledge. He says that Lloyds failed to recognise that he was vulnerable and it should have done more to communicate with him about the account prior to it defaulting.

What happened

In December 2022, Mr H lost his job which was the start of him getting into financial difficulties. He says he wasn't in paid employment again until October 2023.

In December 2023, Lloyds defaulted and closed Mr H's overdraft account as it had been in an unarranged overdraft position. Mr H says he didn't receive the default notices in the post due to some postal issues he was having at the time. And the text messages Lloyds sent him didn't convey the urgency of the situation his account was in.

Mr H is neurodivergent, and for him, requires information to be clear and concise with relevant risk and impact explained clearly. He adds that the change in account activity ought to have alerted Lloyds to the fact that he was in a vulnerable position, and it should have done more to communicate with him via different channels – for example, telephone, push notifications via the mobile application or emails. Mr H says that if Lloyds had done more to help him during this time, the default could have been avoided. Mr H feels that Lloyds haven't taken into account its obligations under Consumer Duty when communicating with him, which has ultimately led to a poor outcome for him.

Lloyds didn't uphold Mr H's complaint. It said it had sent him multiple letters to let him know about the position of this account. It also sent him several text messages. Ultimately, it didn't think it had done anything wrong when it defaulted the account. And it felt that the reporting of the default to the credit reference agencies was accurate.

An Investigator considered what both parties had said, however they didn't think Lloyds needed to put things right for Mr H. They took into account what Mr H had said about his vulnerabilities, and how Lloyds had communicated with him when the account went into an unarranged overdraft position. However, they didn't think Lloyds had acted unfairly or unreasonably and so they didn't think Lloyds needed to do more.

Mr H didn't agree, he referred back to the Consumer Duty principles again to support his view that Lloyds should have done more to identify that he was vulnerable and that it failed to communicate with him appropriately.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 considered everything available to me, I'm sorry to disappoint Mr H, however I have decided not to uphold his complaint.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Mr H's complaint in less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

Was Mr H's account in a position of default?

Mr H's account went into an unarranged overdraft position on 17 August 2023. No further credits were applied to the account following this, and the account defaulted in December 2023.

The Information Commissioners Office (ICO) provides guidance on timescales for when an account should be recorded as in default, this is when it is between three to six months in arrears. At the point Lloyds defaulted Mr H's account, it was around four months in arrears.

Overall, I'm satisfied that Mr H's account was in arrears when Lloyds defaulted it. Lloyds also defaulted the account inline with the timescale guidance provided by the ICO, so I don't think it has acted unfairly or unreasonably in relation to defaulting the account.

Was Lloyds communication about the arrears and default sufficient?

Lloyds sent Mr H multiple letters to let him know the status of his account, which offered support and explained what he was required to do to bring the account up to date and what could happen if he didn't. Letters of support were sent on 9 and 19 September, a formal demand on 12 October and a closure notice on 17 November. When the account wasn't brought up to date, no contact made or no repayment plan arranged by the date in the closure notice, the account was defaulted.

Important collections letters are generally sent by letter. They should be in written format because there is set information the notices need to include. I don't find that it was unreasonable of Lloyds to have sent this information by letter.

Mr H initially told this service that he wasn't sure if he received the letters – he's explained he has postal issues. He said if he had received the letter, it wasn't marked as being 'important'. He also added that he had received multiple letters from other firms requiring repayment from him, so its possible support letters could have been lost or misplaced. It does seem unusual, that despite the postal issues Mr H has described, that he wouldn't have receive any of Lloyds' letters at all – especially when he says he received multiple letters off other firms. That being said, irrespective of whether Mr H received the letters, I need to consider if Mr H ought reasonably to have been aware his account was in default.

Lloyds sent Mr H text messages which stated the account was in an unarranged overdraft position. It sent ten text messages between August 2023 and November 2023. Some of the text messages explained Mr H was in an unarranged overdraft and asked him to bring his account back up to date, but Mr H didn't do this. Mr H also still had access to his account online, which ought to have made him aware that he was in an unarranged overdraft position and had been for some time. Overall, I'm satisfied that Mr H ought to have been aware that

his account was in arrears, and ultimately in a position of default given that he hadn't taken action to bring the account back within the agreed overdraft limit.

While Mr H might not have received the collections letters, I am satisfied that Lloyds did what it was required to in communicating the status of the account, and the potential of default.

Mr H says that the messages he received weren't clear and didn't convey the urgency of the matter. I've looked at the text messages, and these offer Mr H support, because his account was in an unarranged overdraft position. The purposes of these messages wasn't to explain to Mr H that his account was due to default – this is why it sent him letters which provided that detail.

Should Lloyds have done more to help Mr H as a vulnerable consumer?

Mr H is right that Lloyds has an obligation to comply with the principles set out in Consumer Duty. Consumer Duty was introduced by the FCA (Financial Conduct Authority) and sets a higher standard for firms in terms of how they are interacting with their customers. It applies to events from 31 July 2023, so it applies to this case.

The Duty requires firms to act to deliver good outcomes for retail customers, in part by helping customers to avoid foreseeable harm. Amongst other things the Duty expects firms to support their customers by helping them make informed decisions about their products and services to achieve their financial objectives. In addition to this, it requires firms to identify and support customers who are vulnerable, or in vulnerable situations. So, I've taken this into account, alongside the FCA's guidance for firms on the fair treatment of vulnerable customers, when deciding whether Lloyds did enough to support Mr H.

Mr H says Lloyds ought to have been aware by looking at his account activity that he was in a vulnerable position. I agree that it ought to have been clear to Lloyds that there was a change in Mr H's circumstances, which had impacted on his ability to be able to manage the account effectively. That being said, I think Lloyds did take appropriate action here. I say this because I can see it sent him text messages letting him know that if he was finding things hard it could help and provided Mr H with the option of calling specially trained colleagues or logging into his online banking and getting support through there. The letters it sent him also offered him support and help – both internally at Lloyds and externally to debt charities. So I think Lloyds did identify that Mr H might be struggling and offered him support, as I would have expected it to.

Mr H feels that Lloyds should have attempted to contact him using different methods of communication. There is no set prescriptive way that a firm is required to communicate with customers in vulnerable situations. Some of the suggestions in the papers Mr H has provided state that trying to contact a customer using different methods might be helpful – which Lloyds did when it sent letters and text messages.

The FCA paper Mr H provided, also suggests firms to be proactive in contacting customers who might be in financial difficulty, which again I think Lloyds did when it sent Mr H the text messages and letters.

There are of course other ways that Lloyds *could* have attempted to contact Mr H. But there was no requirement for it to have done this, even when taking into account the principles set out in the Duty. I think the letters and text messages Lloyds sent Mr H were sufficient here. And I can't fairly conclude that Lloyds didn't do enough for Mr H, in his circumstances.

I also note that Mr H says Lloyds should have done more for him because he is neurodiverse. I wouldn't have expected Lloyds to have been aware of something like this unless Mr H has specifically made it aware. I can see Mr H did tell Lloyds about this, but from the information I have seen, he first did this following his complaint, so after the account had already defaulted. So again, I don't find that Lloyds has treated Mr H unfairly here.

Summary

While I'm sorry my decision will come as a disappointment to Mr H. I don't think Lloyds has done anything wrong in defaulting the account. A credit file should be an accurate reflection of how an account has been managed, and in this case, I'm satisfied that the default is an accurate reflection of how Mr H managed the account during the period of time in question.

I'm satisfied Lloyds communicated with Mr H in the way I would have expected it to in relation to the default. And I'm satisfied that Lloyds offered Mr H support while he was in financial difficulties.

My final decision

For the reasons set out above, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 9 January 2025.

Sophie Wilkinson
Ombudsman