

The complaint

R, a partnership, complains about the service it received from Lloyds Bank PLC.

R has been represented in this complaint by one of the partners, Mr R.

What happened

R is a family business of long standing. In 2016 Lloyds transferred R's accounts to its business support unit due to ongoing losses and cashflow issues that R was experiencing. Around the same time it increased R's overdraft facility. In 2017 Lloyds said it would only increase the facility further if R agreed to work with a consultant to give it reassurance that R's forecasts were achievable. Lloyds introduced R to a consultant and R accepted the consultant's quote for the work.

In February 2018 Lloyds received the consultant's report. It showed significant cumulative losses over three years and a need for substantial investment going forward. Lloyds decided it couldn't continue its banking relationship with R and asked it to make alternative arrangements. Meanwhile, it increased R's overdraft facility to £2million.

R received an offer from another bank in the spring of 2022. R's told us that the delay in finding a suitable alternative provider was due to the covid pandemic. The new bank also offered to refinance R's mortgage. After some delays surrounding the refinancing of R's mortgage, Lloyds received funds to repay the overdraft on 28 July 2023.

On 2 August 2023, Lloyds received a switch-out request from R's new bank. But it rejected the request due to information about R that it had recorded incorrectly on its systems. Having corrected its records, it asked the new bank to resubmit the request on 7 August 2023. Lloyds accepted the switch-out on 14 August, with an expected completion date of 21 August. In the event, it didn't send the money until 23 August. R says this caused difficulties with its new bank.

R says that it had no choice but to pay for a consultant of Lloyds' choice, along with increased arrangement fees and charges on the account. It says Lloyds effectively had a gun to its head and was threatening to withdraw its overdraft facility. It says the consultant's fees and additional bank charges together amounted to around £225,000 over a five-year period. It also says delays in the switch cost it a significant amount of interest, as the rate its new bank charges on its overdraft is substantially less than Lloyds charged it.

R says that Lloyds took 26 days from receiving the funds on 28 July 2023 to transferring £255,000 to its new bank on 23 August 2023. Mr R has told us that during those 26 days, Lloyds very nearly destroyed R's working relationship with its new bank, due to its poor record keeping and inexcusable delay. He considers it extraordinary that Lloyds held onto the £255,000 in the first place, but says it shouldn't have been necessary to keep it for more than five days in any event.

R also says its confidentiality was compromised when its relationship manager at its new bank contacted its relationship manager at Lloyds, who gave the impression that he was delighted that R was moving its account away from Lloyds.

Mr R says Lloyds caused R, as a family business, huge stress and trauma, undermining the management of its business.

In response to R's complaint, Lloyds said the interest rate on R's overdraft facility remained the same from when R's accounts were transferred to its business support unit until it switched to its new bank, and that all charges were in line with its standard tariff. And it said it waived the usual overdraft arrangement fees totalling £4,950 across three months in the summer of 2023. We've explained to R that Lloyds subsequently clarified that this was a mistake, and that it in fact only waived one month's overdraft fee of £1,650, which was due to be charged in June 2023. It says it's willing to refund the overdraft fee of £1,650 which it debited in July 2023, but it isn't willing to refund the fee charged in May 2023, as R was notified that this would be charged.

Lloyds said that it continued to support R throughout the period from when its accounts were moved to Lloyds' business support unit until R moved its account elsewhere. It says it didn't directly cause the delays before 28 July 2023, when it received the funds from R's new bank. It did, however, apologise for the service it had provided regarding the switch-out. It offered to pay R £500 in recognition of this. R wasn't satisfied with Lloyds' response, and brought its complaint to this service.

One of our investigators considered the complaint, but thought that what Lloyds had offered to do was fair. In summary, she thought that Lloyds had treated R fairly in the light of its financial situation. She didn't think the account charges were unreasonable or that the interest rate Lloyds had charged on R's overdraft was unfair. And she commented that the two-day interval between completion of the switch and the transfer of R's funds to its new bank was due to uncleared funds, rather than to a mistake on Lloyds' part. She accepted that there were times when Lloyds had let R down with its service, but thought the £500 offered by Lloyds was fair.

R disagreed with the investigator's view, so the complaint's been passed to me.

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.

In November 2024 I issued a provisional decision to R and to Lloyds, explaining that I only had the power to look into the service that R received from Lloyds from 1 April 2019 onwards. This is because R is a small business, rather than a micro-enterprise, and our rules provide that we can only consider a complaint from a small business if the act or omission complained of occurred on or after 1 April 2019. Neither party said anything in response to make me take a different view. So in this decision, I will only consider Lloyds' actions from 1 April 2019.

Mr R has provided detailed submissions to this service regarding R's complaint. In reaching my decision, I've taken into account everything he's said. But I hope he won't regard it as a discourtesy that I've focussed on what I consider to be the key aspects of the complaint, in keeping with our role as an informal dispute resolution service.

Lloyds' actions in the lead-up to the switch

I have sympathy with the situation R found itself in, and it's clear that during the time its account was with Lloyds' business support unit, it made a very considerable effort to turn its finances around. I acknowledge that R has pointed out that it had expanded significantly during 2015 and 2016, and it managed to make significant debt repayments even when output was low. It's also pointed out that between 2018 and 2023 it generated good profits and made significant reductions to its mortgages.

But I have to consider whether Lloyds treated R unfairly, and having considered all the information provided in detail, I'm not persuaded that it did. Lloyds' decision that it was no longer willing to provide banking facilities to R is outside the scope of this decision, as it happened before 1 April 2019. Following that, I'm satisfied that Lloyds did its best to support R financially through challenging times.

I realise that, given the size of its overdraft, the continuing support from Lloyds came at a substantial cost to R. But I'm satisfied that the overdraft fees and interest that Lloyds charged R were in line with its agreement with R. I acknowledge that R's mentioned that its new bank is charging significantly less interest on its overdraft than Lloyds did. But that, in itself, doesn't mean that it was unfair of Lloyds to charge the interest that it did. As it is, Lloyds waived overdraft fees of £1,650 that it was entitled to charge in June 2023, and it's willing to refund a further £1,650 that it charged in July 2023.

I can understand why R felt that it had no effective choice but to continue to work with the consultant and to cover his costs. But that doesn't mean that I consider that Lloyds treated R unfairly by requiring this as a condition of its ongoing support for R. It needed detailed information about R's business to give it a full picture of how things stood, and to enable it to decide on what terms to continue to provide facilities to R.

The delay in the switch

Lloyds first received the switch request on 2 August 2023. Errors in the information Lloyds held about some individuals related to R's account, and problems caused by the way some of the information was recorded on its systems, meant there was a delay of five days while the information was amended. As soon as the information had been corrected, Lloyds asked R's new bank to resubmit the switch request and it was then dealt with within a reasonable time. I acknowledge that R has referred to it having taken four weeks to sort out these problems, but I'm satisfied that only five days passed between Lloyds rejecting the switch request and asking R's new bank to resubmit it.

I accept that Lloyds waited for two days after the switch took place to transfer the balance from R's account to its new bank. It's said that this was because of an uncleared cheque which had been paid into the account. But the cheque was for a little over £360 and the balance on the account was more than £255,000, and it's not clear to me that Lloyds needed to hold onto the full balance in the account to cover a cheque for such a small proportion of the total. R says the delay in sending the money meant that it exceeded its overdraft limit with its new bank straight away.

I accept that the delay in transferring the funds to R's new bank will have caused R some inconvenience. But it hasn't provided any evidence that it caused it any significant financial loss. As it is, Lloyds has offered to pay R £500 to apologise for the delay in transferring the money to R's new provider, and I don't consider that I can fairly require it to pay more than that.

I understand that the suggestion that R's relationship manager at Lloyds told R's relationship manager at its new bank that he was pleased that R was moving its account would have caused understandable upset to R's partners. But I don't consider that any such negative comment amounts, without more, to a breach of confidentiality. And I've seen nothing to make me think that R's confidentiality has been compromised in discussions between Lloyds and R's new bank.

R has referred to the emotional stress experienced by family members over a five-year period. I have sympathy with the position R's partners found themselves in, and I don't underestimate how gruelling and stressful things were for them over an extended period. I know that R's partners feel strongly that Lloyds treated R very badly in the years leading up to the switch. But taking everything into account, I don't find that Lloyds treated R unfairly. And I consider the compensation of £500 offered by Lloyds to be fair to reflect the short delay to the switch caused by errors in the information on Lloyds' systems and the two-day delay in sending the credit balance on R's account to the new provider. Lloyds should now pay this to R, along with the further £1,650 in overdraft fees that it's agreed to refund.

My final decision

My decision is that I uphold this complaint in part. Lloyds Bank PLC should pay R £2,150, as it has offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 4 January 2025.

Juliet Collins
Ombudsman