

The complaint

Mr O and Mrs O say Lloyds Bank PLC unfairly removed their overdraft facility and failed to provide them with the right support to help them repay their debt.

What happened

Mr O and Mrs O held a current account with Lloyds which opened in February 2006.

In March 2024 Lloyds carried out a review of their current account. This review was prompted by Mr O and Mrs O's reliance on their overdraft. On 21 May 2024 a formal demand was made for the unarranged overdraft on the account. This letter explained Mr O and Mrs O needed to clear the overdraft amount of £3,539 and asked them to get in touch if she couldn't repay the full amount so a repayment plan could be set up. The overdraft was repaid in full by 24 May 2024.

Mr O and Mrs O raised a formal complaint regarding the handling of their account and overdraft. They also raised concerns about the service they had received when they had tried to discuss their financial situation and the account. Lloyds reviewed their concerns and in its final response letter dated 8 May 2024 it explained that it had reviewed their account and how it supported them over the previous six years. Lloyds said it should've offered long term support from May 2022 onwards when the payment plan came to an end and Mr O and Mrs O continued to experience financial difficulties. To put this right Lloyds arranged to refund all overdraft charges applied to the account after 6 May 2022.

Lloyds explained it would refund the charges and remove the overdraft on the account. It explained that this information would be recorded on Mr O and Mrs O's credit file, and that if they are unable to clear the overdraft on the account a default will be applied, but back dated to August 2022. Lloyds offered Mr O and Mrs O some compensation in recognition of the service issues they experienced.

Mr O and Mrs O remained unhappy and referred their complaint to this service. An Investigator gathered the relevant evidence and made the following recommendations:

- Lloyds conducted a review on the account as it is obligated to establish whether any lending is affordable.
- Mr O and Mrs O repaid their overdraft, so their account remains open, and this prevented negative information being recorded against their credit file.
- Lloyds has compensated Mr O and Mrs O for the inaccurate information they received regarding the status of their account.

Mr O and Mrs O remained unhappy with the review of the complaint. In response they said the compensation provided was inadequate as they were given the wrong information, and this had a significant impact on their health and caused anxiety and stress. Mr O and Mrs O says their account was blocked and they were unable to pay for everyday expenses and they missed direct debits and incurred charges from other companies due to missed payments.

Mr O and Mrs O remained unhappy and asked for an ombudsman to review their complaint.

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.

Firstly, I am sorry to see Mr and Mrs O have had cause for complaint. I can see from the evidence provided that the account has been a source of stress, and they have experienced personal difficulties. I don't underestimate the concern this situation has caused, and also the worry of dealing with the complaint about it. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Support for financial hardship

A key part of Mrs O's complaint is that Lloyds failed to provide the appropriate support to them whilst they financial hardship. Mrs O's concerns span many years, but my review has focuses on the more recent events with the current account with Lloyds. However, the loan does form part of the wider picture of Mrs O and Mr O's financial situation. I won't be considering any lending decisions made by Lloyds, but I will be considering the support provided to Mrs O and Mr O.

Once a business such as Lloyds is told, or it realises, that a customer is experiencing financial difficulties we would expect it to exercise forbearance and due consideration, in line with its regulatory obligations. In simple terms this means Lloyds should treat Mrs O and Mr O fairly and given them the appropriate support.

I can see that from October 2020 onwards Mrs O was in touch with Lloyds about the need for support. At this stage the main form of support was for the loan in place, with various payment holidays granted. Mrs O and Mr O were utilising their overdraft regularly and I can see Lloyds sent Mrs O and Mr O letters about how bringing the balance down on the overdraft could reduce their costs. This is the type of support and information I would expect Lloyds to provide, as it highlights it is actively monitoring accounts and ensuring charges are effectively managed.

I note Mrs O queried the charges applicable to the current account and overdraft in place in January 2021 and was informed the rates hadn't changed. Mrs O appears to have raised concerns again about the current account and overdraft in early 2024 – but in the intervening years there had been periods where Lloyds placed holds on the interest charges on the overdraft in response to Mrs O's requests for support. Looking at the communication sent to Mrs O and Mr O I can see Lloyds would place a hold on interest, and then once Mrs O and Mr O were able to bring the account out of its overdraft, the standard interest rate would apply. In its letters to Mrs O and Mr O – such as the one dated 30 April 2024, Lloyds would also highlight the importance of checking if the overdraft limit was right for them and to reach out if financial assistance was required.

Lloyds says that in May 2022 it should've stepped in to provide Mrs O and Mr O more support. I've looked at the timeline of events and I agree – at this stage it ought to have reasonably aware of a pattern emerging with Mrs O and Mr O's concerns regarding their financial situation. By this stage Lloyds had implemented three holds on the account due to Mrs O and Mr O's needing support. There was an apparent pattern of Mrs O reaching out for assistance, and she is encouraged to enter a plan and provide details of their financial situation. However, no such plan is ever implemented. I appreciate there was also an expectation from Lloyds that Mrs O would be in touch with the relevant details for a plan to

be formulated. But given the lack of contact, it would've been appropriate for Lloyds to reach out.

Lloyds accepts that further support should've been provided in May 2022. From this point onwards Mrs O and Mr O's account dipped in and out of its overdraft, and it's agreed to remove all charges and interest on the account from this point onwards. I consider this to be a reasonable step to rectify its failure to offer more support in May 2022.

I can see that once Mrs O and Mr O were informed of the potential for the account to close, Lloyds and Mrs O had a number of calls in which Lloyds offered to set up a plan for Mrs O and Mr O to manage their debt. It seems this wasn't an option Mrs O wanted to pursue, and although this was a choice Mrs O was free to make, it did limit the support options Lloyds were able to provide.

Lack of account access

In response to the investigator's view Mrs O and Mr O said they were unable to use their account, and this caused them significant inconvenience. Lloyds has provided its internal notes and looking at these I can see that the account closure process had been initiated due to the on-going overdraft issues.

Lloyds has explained that the closure process meant that from 9 May 2024 onwards – when the overdraft was removed, the account was in an unplanned overdraft state. This meant that the account could receive funds in, but any transactions that took it into the overdraft further would've been prevented. However, I can't see that a formal block was placed on the account and Mrs O and Mr O would've been able to access any wages or benefits from the account if they had been paid in.

I understand the account changing in this way caused Mrs O and Mr O inconvenience, but I'm satisfied Lloyds explained the situation regarding their account and overdraft in calls and letters. The aim of Lloyds' actions was to reduce their overall indebtedness, and I think this change with their account was a step in ensuring they didn't rely on the overdraft for longer than necessary.

Potential account closure

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mrs O and Mr O decided to stop banking with Lloyds, they wouldn't have to explain why.

Mrs O says Lloyds shouldn't have said it would close the account, and this possibility added to their stress at a difficult time. Lloyds informed Mr and Mrs O the account may close due to the on-going issues Mrs O and Mr O were facing in managing the account. The review was prompted by their overdraft usage. The overdraft is a credit facility which Lloyds is obligated to provide to customers in a responsible manner. This means it must ensure the credit is effectively managed and doesn't cause a customer detriment in the form of charges and interest. Lloyds has explained that it offered Mrs O and Mrs O the appropriate support, and that its process in these circumstances is to close the account, and to pass any outstanding debt to a specialist team. I think Lloyds acted reasonably here in its communications with Mrs O and Mrs O in setting out the next steps. It seems to me the overall aim of its intention to close the account if the overdraft wasn't clear was to prevent Mrs O and Mr O from increasing their indebtedness.

I must also highlight that the terms and conditions of Mrs O and Mr O's account allow Lloyds to close the account provided the necessary notice is provided. Lloyds explained the overdraft would need to be cleared, and that support could be provided, if necessary, but that this may have an impact on their credit files. I consider this approach to be fair and in keeping with its regulatory duties. So overall I'm satisfied Lloyds acted fairly in its dealings with Mrs O and Mr O, and its decision to explain the consequences of non-payment to Mrs O and Mr O.

Overdraft

Lloyds explained Mrs O and Mr O's account would close if the overdraft wasn't cleared. Mrs O feels the sudden demand for the overdraft to be repaid was unfair and resulted in a huge amount of stress as they had to find the funds to clear the debt.

Overdrafts are a credit facility which are repayable on demand. In Mrs O and Mr O's case Lloyds says it expected the overdraft to be cleared given it had reviewed its usage. Ultimately Lloyds found that it had been managing Mrs O and Mr O's account in an ineffective way, and it should've passed to its recoveries team as Mrs O and Mr O had been in their overdraft for a significant period.

Mrs O and Mr O highlighted that they would struggle to repay the overdraft in 30 days. Lloyds' communication explains that the overdraft needs to be repaid, and it could offer support with repayment but that this could potentially be recorded on their credit file. Although no entries have been made by Lloyds on their credit file, I must highlight that Lloyds is under a regulatory duty to accurately report the status of accounts, and if a customer has missed the contractual payments for any borrowing. I understand Mrs O and Mr O were keen to avoid this and feel the potential for a default placed pressure on them. However, Lloyds is obliged to inform them of the consequences of not repaying the debt, and I don't think it was unreasonable for it to use this in its communications with Mrs O and Mr O.

Services issues and fair compensation

Another key part of Mrs O and Mr O's complaint is the service issues they experienced. I can see there have been multiple calls between Lloyds and Mrs O, and some have been lengthy and challenging. Mrs O says the service she received was poor – with long wait times, and she was often given incorrect information. Lloyds accepts there was an instance when Mrs O was given incorrect information as she was told a plan would need to be in place for both the loan and overdraft – when in fact the loan was up to date.

Mrs O raised a number of concerns around the same time regarding the account. I can see Lloyds has offered compensation at various stages. I have provided a breakdown below:

- 8 May 2024 – Lloyds offered £35 compensation for service during a phone call and to refund interest of £196.39.
- 14 May - £56 payment to cover the cost of calls made on 11 May 2024 and 14 May 2024.
- 14 May 2024 – the final response letter from Lloyds acknowledged the service wasn't what Mrs O expected and agreed to pay them £40.
- 24 May 2024 - £100 paid for service issues over the phone.

I've considered the compensation overall, and I consider the amounts offered by Lloyds and its decision to refund charges on the account to be fair. I say this because the refund of charges means Mrs O and Mr O aren't financially disadvantaged by their continual use of the

overdraft. I also find the compensation for the various service issues to be in keeping with our approach to compensation.

Mrs O and Mr O say the compensation is inadequate given the impact Lloyds' actions had on them. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. Having considered the timeline of events, I think the compensation is reasonable and I don't find Lloyds' actions warrant further compensation as the evidence available shows it acted reasonably in the circumstances.

I'm sorry this isn't the outcome Mrs O and Mr O hoped for. I do hope my final decision provides some assurance that his concerns have been properly considered and sets out why I won't be asking Lloyds to take further steps to compensate Mrs O and Mr O.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O and Mr O to accept or reject my decision before 20 June 2025.

Chandni Green
Ombudsman