

The complaint

Mr C is a sole trader. He complains that Lloyds Bank PLC (Lloyds) made errors in connection with his overdraft renewal.

What happened

Mr C has told us that:

- He'd been banking with Lloyds for many years. His account (the Account) operated with an overdraft facility (the Overdraft) which was reviewed annually. But without his knowledge, Lloyds made changes to the process as well as the Overdraft. Instead of the review and renewal being conducted annually as it had been historically, Lloyds shortened this to six months following which they terminated the Overdraft.
- Although Lloyds said they'd written to him to tell him about the change, apart from a small print message on a bank statement which he didn't notice, he received no correspondence from the bank concerning the Overdraft and consequently it became unauthorised.
- Lloyds suspended the Account and passed the overdraft debt to collection agents, which was unfair. And without his knowledge, the bank used his pension income to repay some of his accrued debt.
- Despite his long association with Lloyds, they did not act sympathetically towards his circumstances, and failed to give him clear guidance regarding how to remedy the position he found himself in.
- Communication with the bank was chaotic. In particular, phone calls were not returned, and he was not given an allocated point of contact which exacerbated his communication difficulties. Forms were sent to him in a format which was difficult to open.
- The bank's decision to suspend the Account resulted in a loss of £20,000 worth of work that otherwise he'd have been able to carry out if he'd had an active bank account.

In summary, Lloyds' response to the complaint was that:

- Mr C contacted the bank on 22 November 2023 to discuss the Overdraft which, at the time, stood in excess of £19,500. In their conversation, the bank explained that it was unwilling to renew the overdraft limit at the full amount and for the full 12 months. Instead, it told him that going forward, it would agree a six months renewal period and that the outstanding balance needed to be reduced gradually during that period.
- They wrote to Mr C on 22 November 2023 to confirm their discussion. Specifically, that the Overdraft was for six months only, and had to be reduced by £200 per month ie from 22 November 2023 to 22 May 2024.
- On 22 May 2024, Lloyds removed the Overdraft. At the time the balance on the Account was in excess of £19,700.

- Mr C missed payments in March, April and May 2024 and ignored correspondence in May 2024 asking him to get in touch with the bank.
- In June 2024, a demand letter was sent to Mr C. The following month – July 2024, Mr C's debt was passed to collection agents.
- The bank made no errors either in connection with the renewal of the Overdraft or in the decision it took to pass Mr C's debt to collection agents.
- But there were customer service failings on the bank's part for which it apologised and paid Mr C £60 in compensation.

However, Mr C's complaint remained unresolved, and so, he referred it to this service to look into.

Our investigator did so, and in summary, came to the following conclusion:

- The terms and conditions of the Account allowed Lloyds, without notice, to withdraw or restrict a customer's overdraft facility at any time. In light of this, Lloyds were entitled to remove the Overdraft.
- Although the bank hasn't been able to provide the written correspondence that was sent to Mr C in November 2023, nonetheless its internal records corroborate its submission regarding its discussion with Mr C and the agreement that was concluded at the time.
- Lloyds informed Mr C by letter dated 24 May 2024 that without approval, the Account had exceeded its overdraft limit and that he needed to remedy the position as soon as possible or contact the bank to discuss his options.
- Lloyds' demand letter dated 10 June 2024, required Mr C to repay the unauthorised overdraft balance within 14 days. Also, they reminded Mr C that if the full amount was not repaid the Account would be closed and passed a debt collection agents. In the circumstances, the bank did nothing wrong when later it did so.
- Whilst noting Mr C's testimony that he did not receive the letters Lloyds said were sent to him, he was satisfied the letters were correctly addressed and were sent. And furthermore, he didn't think that Lloyds could be held responsible for the delivery of post, meaning he could not blame them if the letters did not arrive.
- Given the unauthorised overdraft, Lloyds' decision to restrict access to the Account and apply pension income to pay down Mr C's outstanding debt were not unreasonable
- However, having acknowledged their failure to provide a satisfactory level of service to Mr C and paid him £60, nonetheless the bank's offer didn't go far enough, not least because Lloyds made the situation Mr C faced more stressful than it needed to be. In particular, calls were unanswered and promised follow-up emails were never sent. That meant Mr C had then to make additional calls to the bank. Given this, Lloyds should increase the compensation payable by an extra £90, making the total compensation £150 altogether.

Lloyds accepted the investigator's conclusions but Mr C didn't. He said - in summary:

- £150 isn't fair compensation considering Lloyds' failure to properly communicate with him.
- He made a genuine error regarding the Overdraft which he's never denied. And although in light of this, Lloyds may have been entitled to act as they did, he expected that at least they'd have given him a path to correct his error, whereas instead Lloyds' made it a struggle.
- Lloyds should reopen the Account and pay fair compensation for all the costs, disruption and bullying that he experienced.

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 done so, I agree with the investigator's conclusions and for broadly the same reasons. Before setting out my reasons, I should first like to acknowledge Mr C's strength of feeling on this matter. I thank him too for being candid about his personal circumstances and their financial and mental health impact.

I start with the bank's action regarding the Overdraft. I've looked at the terms and conditions of the Account to which Mr C would have needed to agree when he opened the Account. In connection with overdrafts, they say:

"11.3 At any time we may withdraw or restrict any right to an overdraft or ask you to repay your overdraft. We do not have to give you advance notice before we do, but we will tell you in writing if we require repayment of your overdraft."

The investigator is right therefore, that Lloyds had the right to withdraw or restrict the Overdraft. And that is what Lloyds did. In November 2023, they took a commercial decision to reduce the length of time they were prepared to grant Mr C the Overdraft from 12 months to six months with £200 reductions being required monthly during that period.

It is the bank's case that in a phone conversation and follow up written correspondence on 22 November 2023, the changes it proposed making to the Overdraft were made clear to Mr C. Lloyds, however, have been unable to provide the call recording of the discussion at the time and the actual letter they said was sent to Mr C.

But I note that Mr C acknowledged there was a discussion with Lloyds in November 2023 about the Overdraft and that he agreed to the £200 per month the bank mentioned. I think it likely he'd also have been made aware that the Overdraft was being extended for a further six months only. And in any case Mr C does acknowledge he made the unfortunate error of overlooking the other changes the bank proposed, for which he accepted full responsibility.

In the circumstances, given the effect of Mr C's oversight in terms of missed payments, the increase in the overdraft amounts and the unauthorised nature it then became, I don't think I can reasonably say Lloyds made an error or treated Mr C unfairly when they suspended the Account. I take the same view in respect of the bank's decision to pass Mr C's debt to collection agents. And I say that for the following reasons also.

I note, as did the investigator that the bank wrote to Mr C on 24 May 2024 to let him know that the Account had entered into an unauthorised overdraft position which needed remedying. And as mentioned above, I also note that Lloyds sent a further letter dated 7

June 2024 which provided Mr C with full details of the unauthorised overdraft and asked him to contact the bank. A formal demand followed a few days later - on 10 June 2024 requiring the full outstanding amount to be repaid within 14 days. I'm satisfied therefore, that Lloyds did what reasonably I'd have expected of them which was to alert Mr C about their concerns regarding the Overdraft and since they heard nothing from him, I don't think the actions they then took were, in the circumstances, unreasonable.

In saying that, I assure Mr C that I've not ignored his submission on this point. Mr C has told us he did not receive the bank's correspondence – including its May and June 2024 letters. I have no reason to doubt that submission and I sympathise with Mr C. Equally however, I am satisfied Lloyds did write to him. I've seen copies of the letters referred to above – including in particular, the 24 May letter the bank sent to Mr C after the termination of the Overdraft. All the letters to Mr C were addressed correctly. But letters are sometimes lost in transit. In all likelihood, that is what happened here. But Mr C's failure to receive those letters isn't something for which I can fairly blame Lloyds.

Mr C has told us his primary concern centres around the lack of help from Lloyds when unprompted by them, he found out about the action they'd taken regarding the Account and in turn he contacted the bank. And he was unhappy also that without prior consultation, Lloyds used his pension payments to reduce the debt he owed.

Mr C's statements show three payments were received into the Account on 24 May, 24 June, and 22 July 2024. And it does appear that on receipt into the Account they did go towards reducing the outstanding balance. I don't think that was an inappropriate or unreasonable use of those funds given the extent of Mr C's liability to the bank.

More broadly, I've also thought about Mr C's concern about the manner in which he was spoken to by Lloyds and that no guidance or direction was provided by them to help him resolve his issues with them.

I've listened to two calls that Mr C had with Lloyds: on 4 June 2024 and later on 10 June 2024. The 4 June call was lengthy, and Lloyds' employee discussed with Mr C his circumstances - including a £10,000 payment he anticipated receiving from a client which would improve his situation. More to the point, the employee did explain a number of options the bank had in place to help him. And the employee also suggested Mr C might want to consider contacting certain debt charities that might be able to help him to better navigate his financial circumstances.

I do not think the employee was rude or unhelpful. And the same goes for the phone call Mr C had with the bank on 10 June 2024. The employee to whom he spoke was empathetic. And she listened to Mr C's account of the lead up to his current circumstances and the financial challenges he was now having to navigate. The employee suggested he should speak to the financial assistance team within the bank who would be better placed to help him. And on 24 June and 1 July 2024, Lloyds wrote to Mr C with further details of what they may be able to do to help him.

I don't doubt that subsequent conversations with other employees were more challenging and that Mr C did experience difficulties getting through to the right people at the bank who could help him. Indeed, Lloyds have acknowledged they did not communicate properly with Mr C and that there were incidences of poor service on their part. Mr C for example referred to forms requiring details of his finances initially not being sent to him in an accessible format and Lloyds have acknowledged this. And Mr C said there were long wait times when he tried to call the bank and that on occasions his calls were not returned.

I have no doubt these examples of poor service would have caused Mr C inconvenience. And I've noted he doesn't think the award recommended by the investigator of £150 in total is enough, and that rather, the ideal solution would be for Lloyds to reopen the Account.

However, Lloyds took a commercial decision to close the Account. I have not found that they acted unfairly when they did so. Given this finding, there is no reasonable basis for me to require the bank to reopen the Account.

Turning finally to Mr C's inconvenience and the compensation the investigator recommended for it.

We publish information on our website about our approach to awards for non-financial loss' available at:

<https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

Determining an appropriate award for distress and inconvenience can be difficult. But awards in this connection are not intended to be punitive for the financial business.

With that in mind, and having thought about the general framework which this service considers when arriving at compensation amounts for inconvenience, I'm satisfied that the £150 represents fair and reasonable compensation for the inconvenience caused to Mr C.

Putting things right

My view is that £150 fairly reflect the impact of the issues raised by Mr C in this case. So, in addition to the £60 Lloyds have already paid Mr C, they should now pay an additional £90 as this would be a fair way to resolve his complaint. I haven't been persuaded to increase the award further

My final decision

My final decision is that I uphold this complaint. In full and final settlement of it, Lloyds Bank PLC should pay Mr C an additional £90 for the inconvenience this matter has caused to him.

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

Asher Gordon
Ombudsman