

The complaint

A limited company, which I'll refer to as 'S'. complains that Lloyds Bank PLC allowed a direct debit to be processed from its account when there weren't sufficient funds present in the account to cover the payment.

S's complaint is brought to this service by its director, whom I'll refer to as 'Mr K'.

What happened

S has a business current account ("BCA") with Lloyds which doesn't have an agreed overdraft facility, and which had a recurring direct debit payment set up to make payments of £68.97 to a loan held with another bank (which I'll refer to as 'X').

In November 2024, X attempted to take £68.97 by direct debit – as it had done for several months previously – but Lloyds declined the direct debit due to insufficient funds in S's account.

The following month, December 2024, X attempted to take a direct debit payment for a much larger amount - £498.04. Once again, there were insufficient funds present in S's account for that payment to be taken, but on this instance, Lloyds allowed the payment to go through. This placed S's account into an overdrawn position, even though S had no agreed overdraft facility on the account. Lloyds then charged interest on the overdrawn balance. Mr K wasn't happy that Lloyds had allowed the direct debit payment to go through, so he raised a complaint on S's behalf.

Lloyds responded to Mr K and explained that when a payment is requested that would take the account into a position of unauthorised overdraft, it may be the case that Lloyds allow that payment to go through, as they had done in this instance. Mr K wasn't satisfied with Lloyds' response, so he referred S's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Lloyds had acted unfairly towards S as Mr K contended. Mr K didn't agree, and so S's complaint was referred to an ombudsman for a final decision.

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 note that in his submissions to this service, Mr K has made several points of a legal or regulatory nature. I'd therefore like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

I also note that Mr K has provided several detailed submissions to this service regarding S's complaint. I'd like to thank Mr K for these submissions, and I hope that he doesn't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if Mr K notes that I haven't addressed a specific point that he's raised, it shouldn't be taken from this that I haven't considered that point. I can confirm that I've read and considered all the submissions provided by both Mr K and Lloyds. Accordingly, I can also confirm that if Mr K notes that I haven't responded to a specific point, I have considered that point but I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

Mr K has said that S didn't authorise the direct debit payment to X. But from reviewing S's statements it's clear that the direct debit to X was established and had been paid or applied for by X for many months. As such, I feel that it's most likely the case that the direct debit to X was authorised by Mr K, and that Mr K may be referring to the fact that the direct debit amount increased significantly, from £68.97 to £498.04.

However, if Mr K is unhappy at the amount that X applied for in December 2024, then that would be a matter that Mr K would need to take up with X. This is because it was for X to notify S in advance of the December payment that the amount had increased. Conversely, the role of Lloyds in this interaction is to process the direct debit that X have applied for, and it isn't to check whether S has been informed by the other bank of any change in the payment amount from the previous month.

Mr K also feels that Lloyds shouldn't have allowed the December payment to be processed, given that there weren't sufficient funds in the account, and he notes that S's BCA doesn't have an agreed overdraft facility and that S has never requested one.

But the 'overdraft – general conditions' section terms and conditions of S's BCA includes that if S tries to make a payment – such as an authorised direct debit – when there isn't sufficient funds present in the account to make that payment, then Lloyds will regard this as S requesting an unauthorised overdraft at that time, and will decide whether or not to grant that request.

This means that when X attempted to take the £68.97 payment in November, and the £498.04 payment in December, on both occasions this was treated by Lloyds as a request for an unauthorised overdraft. And while Lloyds declined that request in November, they accepted it in December.

Furthermore, the BCA's terms also include the following:

"If we allow you an Unauthorised Overdraft, we will charge interest and fees as set out in our charges Brochure or at [Lloydsbank.com/business](https://lloydsbank.com/business). We calculate interest on the cleared daily balance of the new or excess overdraft. It is payable for the duration of the new or excess overdraft."

Mr K feels that there should be consistency to Lloyds' decision making in this regard, and that because Lloyds declined to allow the November payment to complete, they should also have declined the December payment.

But Lloyds have explained that when there are insufficient funds available, an automated system makes the decision whether a payment should be paid or should be declined based on a variety of factors, and that as such Lloyds don't guarantee that all such payments will

be rejected or returned unpaid where there are insufficient funds available.

Lloyds' position doesn't seem unreasonable to me, and I feel that as director of S, the onus was on Mr K to have been aware of the payment that X would attempt, and the funds present in S's Lloyds BCA. And if Mr K didn't want the payment to X to be made from Lloyds BCA, it was for him to have cancelled the direct debit so that it was never requested by X.

Ultimately, by allowing X to request £498.04 in December 2024, rather than cancelling the direct debit in advance, I'm satisfied that S did tacitly request an unauthorised overdraft, as per the terms of the BCA. Additionally, having received such a request, it doesn't seem unfair or unreasonable to me that Lloyds would agree to it. And I reiterate that if Mr K didn't want Lloyds to make the payment to X, so that S's BCA fell into an overdrawn position, then it was for him to have cancelled the payment before X presented it.

Finally, as discussed previously, if Mr K is unhappy with the amount that X requested via direct debit in December 2024, then that would be a matter for Mr K to take up with X directly.

All of which means that I don't feel that Lloyds have acted unfairly towards S as Mr K contends here, and it follows from this that my final decision is that I do not uphold this complaint or instruct Lloyds to take any form of action. I trust that Mr K will understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 10 December 2025.

Paul Cooper
Ombudsman