

The complaint

Ms J complains Lloyds Bank PLC provided poor service when she tried to set up a repayment plan on her account.

What happened

Ms J held a Lloyds current account, which had an unarranged overdraft. Lloyds conducted a review of Ms J's holdings and made the decision to end its banking relationship with her. This included the closure of her current account. Ms J was provided with two months' notice of the impending closure so she could make alternative banking arrangements.

In calls to Lloyds on 19 July 2024 and 31 July 2024 Ms J asked to discuss the upcoming closure and how she could manage repayments as her account was in an unarranged overdraft. Ms J was told she could attend branch to make payments or use telephone banking to make repayments to any outstanding balances.

In letters sent on 24 August 2024 and 21 September 2024 Lloyds contacted Ms J to explain she was in her unarranged overdraft. The letters explained that Ms J needed to make a payment to clear the overdraft amount as soon as possible. The letters outlined the options available to Ms J for making payment and encouraged her to reach out if she needed support.

On 3 September 2024 Ms J contacted Lloyds to discuss setting up a repayment plan, and it took multiple calls for Ms J to receive the correct information. Ms J was unable to make payments via mobile banking, and Ms J's overdraft could not be repaid via a repayment plan until the account closed and was with the appropriate team.

Ms J raised a formal complaint about Lloyds' handling of her account and the service she received. Lloyds reviewed her concerns and issued a final response letter on 18 September 2024. In its response Lloyds made the following findings:

- Ms J was provided with two months' notice of her account closing, and once that time passed the account had to pass to the collections team, where a further 90 days is needed for the account to be fully closed as there was an outstanding balance on the account.
- Lloyds explained it could only set up a repayment plan once the account was fully closed and with a recoveries team.
- The collections department is unable to set up a repayment plan, however Ms J is able to mark part of whole payment of the balance in branch.
- Ms J was given inconsistent information about how her account would be handled and how she could repay the overdraft. Lloyds paid Ms J £80 in recognition of this failing.
- The background noise during a call was louder than usual, but no specific customer details can be heard.
- If Ms J's account does close with an outstanding balance, then a default will be applied to her credit file for six years.
- Some of the letters generated to Ms J were automatically generated, and although

they outlined a repayment plan could be set up, the nature of the closure for Ms J's accounts meant this wasn't possible.

Ms J remained unhappy with this response and referred her complaint to this service. In her complaint Ms J explained Lloyds' actions were unfair and resulted in her credit file being damaged. Ms J said she attended branch and called Lloyds at every stage, and she wasn't able to repay her overdraft or given clear information. Ms J explained her concerns weren't related to why her account was closed, but rather Lloyds' inability to provide her with clear assistance. Ms J also reiterated her concerns about her credit file, which she said was well maintained until Lloyds had closed her account in this manner.

An Investigator reviewed Ms J's concerns and explained that the review would focus on Lloyds' handling of the overdraft. In summary they made the following findings:

- Lloyds clarified that Ms J couldn't set up a repayment plan as her account needed to be closed before a plan could be set up.
- The £80 offer in recognition of the poor service provided is a fair reflection of the inconvenience caused to Ms J.
- Ms J was advised she could repay her overdraft – either in full or in part, by attending branch.
- Lloyds has explained that following the closure of an account with an outstanding balance it is normal practice for debt collections to be used.

Ms J remained unhappy and explained that her excellent credit history had been decimated by Lloyds and its handling of the closure process was flawed. Ms J asked for Lloyds to remove any adverse information it had recorded against her credit file.

As no agreement could be reached, the complaint was passed 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.

Firstly, I am sorry to see Ms J has had cause for complaint and the impact the handling of her account closure has had on her. I can see from her comments that her complaint with Lloyds has been a source of stress and worry. However, 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.

As explained by the Investigator our review has focused on the handling of Ms J's current account and overdraft. The closure reasons and her other accounts are not the subject of this review.

Lloyds has explained that the decision to close Ms J's account was made, which meant the unarranged overdraft on her account needed to be cleared. Overdrafts are a credit facility which are repayable on demand. In Ms J's case Lloyds says it expected the overdraft to be cleared immediately.

The crux of Ms J's complaint is that she repeatedly asked Lloyds how she could set up a repayment plan to clear the overdraft. It's not in dispute that Lloyds should've been clearer about why Ms J was unable to set up a repayment plan immediately and what her options were. During a call in late July 2024 Ms J was informed she could set up a repayment plan once the account passed to the collections team. This wasn't accurate as the plan could only

be set up once the account passed to the recovery team. I think clearer communication would've eased Ms J's concerns at what was already a distressing time.

I've also considered Lloyds' process and what this meant for Ms J. Lloyds has explained the nature of Ms J's account closure meant it expected the overdraft amount to be cleared immediately. Ms J was able to make part or full payment towards the overdraft in branch given her online access had been restricted. I can see Ms J says she did attend branch, but it seems the purpose of these visits was to discuss repayment options rather than clear the balance. Given the concerns Ms J had, I think Lloyds' service fell below reasonable standards, and I can see it offered Ms J £80 in recognition of these shortcomings. I consider this to be a fair offer, and in keeping with our awards for compensation.

A key concern for Ms J is her credit file, and the impact Lloyds has had on this. I must highlight that when Ms J raised her complaint with Lloyds her credit file was not affected as her account had not been defaulted. Lloyds has therefore not had the opportunity to address this issue. However, I've considered the information that is available, and I can see that when Ms J's account closed, she was sent automated letters regarding the overdraft. Lloyds' communication to Ms J explains that the overdraft needs to be repaid, and it could offer support with repayment but that this could potentially be recorded on her credit file. I can also see the final response letter issued by Lloyds states that if Ms J's account closes with an outstanding balance, then this would result in a default and will be recorded on her credit file. 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 this must be accurately recorded.

I understand Ms J was keen to avoid this, but the fact she was unable to repay the overdraft when asked, and she required a repayment plan is information Lloyds is obligated to record as it's an accurate reflection of the circumstances. Lloyds has confirmed that no overdraft interest has been applied since 10 June 2024. Lloyds has also confirmed that the account is closed, and a default was recorded and no repayment towards the debt had been made when it provided an update in May 2025. I understand Ms J's concerns but based on the evidence I've seen I don't consider Lloyds' decision to record information on her credit file to be unfair. Instead, I am satisfied it has fulfilled its duty to provide an accurate summary of the account. I would encourage Ms J to liaise with Lloyds directly should she wish to mitigate the impact of her unpaid overdraft.

Another key part of Ms J's complaint is the service issues she experienced. I can see there have been multiple calls between Lloyds and Ms J, and it accepts it could've provided a better service and it offered compensation. Ms J says the compensation is inadequate given the impact Lloyds' actions had on her. 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 Ms J hoped for. I do hope my final decision provides some assurance that her concerns have been properly considered and sets out why I won't be asking Lloyds to take further steps to compensate Ms J.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 18 December 2025.

Chandni Green
Ombudsman