

## The complaint

Miss H is complaining that Lloyds Bank PLC unfairly defaulted her account and didn't offer support when she contacted it about her financial difficulties.

## What happened

Miss H took out a student overdraft with Lloyds, this was interest free while Miss H was studying but later converted to a graduate account. Lloyds has explained that that a balance of up to £2,000 remained interest free for the first year after graduation. In the second year after graduation up to £1,500 would be interest free, and in the third year after graduation, up to £1,000 would be interest free. After this interest would be payable on any overdrawn balance.

In August 2023 Miss H contacted Lloyds as she had concerns that she wouldn't be able to keep up with the interest on the sums above £1,000. In the August 2023 calls it became apparent that Miss H didn't have any disposable income and so a payment plan couldn't be put in place. Lloyds let Miss H know that given this the only available option was account closure and default. It put a 30-day freeze on interest in place to give Miss H time to think about her options and said it could ask a debt charity to contact her, but Miss H declined this saying she would look into things herself.

After the 30-day interest free period had ended Miss H continued to make small payments to the account to keep it within its limits. However, by January 2024 Miss H was over her overdraft limit, so Lloyds wrote to her about this asking her to bring the account back within its limits. The account remained over its overdraft limit and so Lloyds wrote to Miss H again later in January 2024 and in February 2024 asking her to make a payment to the account or to get in touch with them to discuss other options. In March 2024 Lloyds wrote to Miss H telling her it would close her account in 30 days if she didn't make a payment to the account or get in touch.

As it received no contact from Miss H and no payments were made to the account Lloyds closed the account and registered a default in April 2024.

Miss H said she made multiple attempts to resolve things with Lloyds and to explain her situation by calling and visiting branch where she was told not to worry as there could be a system error. She's explained she had to leave her home in March 2024 because of domestic abuse and was living with family. So, it wasn't until she returned home sometime later that she saw the letter asking her to take action on the account.

Miss H has said she disclosed unsafe living conditions, mental and physical health problems along with her financial difficulties to Lloyds and she feels Lloyds failed to treat her appropriately or find a tailored solution for her. Miss H has said Lloyds failed to explain the impact of an account closure and default to her and that the lack of empathy in the call meant there were long lasting consequences for her. She's also unhappy that Lloyds didn't explore other options so she could make an informed choice. Instead, she feels she was pushed into a process that has caused lasting damage to her financial and mental well-being.

In June 2024 Miss H complained to Lloyds about the closure and default of the account. Lloyds responded in July 2024 saying that it didn't think it had acted unfairly and that it wouldn't be removing the default. So, Miss H referred the case to this service.

One of our investigators considered the case but didn't agree that Lloyds had acted unfairly and so didn't ask it to do anything further.

Miss H was unhappy that our investigator hadn't recommended the default be removed. She said it was having a significant and continuing impact on her so, she asked for a decision – and 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.

Having done so, and acknowledging it'll be hugely disappointing for Miss H, I've reached the same outcome as our investigator. I'll explain why.

At the start of August 2023 Miss H called Lloyds as she had concerns that she would no longer be able to afford the overdraft now that interest was payable. At this point Miss H was overdrawn by just over £1,420 and she had to pay interest on sums over £1,000. She explained that since leaving university she had been unable to work for a large part of the time due to a medical condition causing her a lot of pain. This meant she hadn't been able to clear down the overdraft until she had an operation that helped her situation, and she began working. However, soon after she fell pregnant and hadn't been with her employer long enough to receive maternity benefits.

At the point she called Lloyds her baby was now 10 months old, and she was a single parent with sporadic support from the baby's father. Given the cost of childcare this made returning to work impractical, so Miss H was currently receiving benefits. Unfortunately Miss H couldn't continue with the call and agreed to call back.

Miss H called Lloyds again at the end of August 2023 and completed a detailed income and expenditure with the advisor on the call. This revealed that Miss H had a monthly deficit of £52. As Miss H had no disposable income a payment plan couldn't be offered.

I've listened to this call and can hear that once it became clear that Miss H didn't have any disposable income, the advisor double checked all the figures with Miss H to ensure everything was correct and nothing had been missed and the information held was accurate. Once this was established, the advisor let Miss H know the option available to her was account closure.

The advisor explained the account would be closed in 30 days, and in that time Miss H could make alternative banking arrangements. The advisor let Miss H know that once the account was closed, a default for the outstanding balance would show on Miss H's credit file for the next six years and that this might make it difficult for her to get credit in the future. The advisor also explained that the default would mean that no further interest was applied to the account and Miss H could work towards paying of the debt in way she could manage with lower payments and over a longer period of time.

Miss H asked the advisor if this would affect her other accounts with Lloyds and the advisor confirmed that it would only apply to this account. Miss H also repeated her understanding of

the situation and how the default would affect her. It's clear from her explanation Miss H understood the impact a default would have on her credit rating.

As Miss H was unsure whether she wanted to proceed with this course of action the advisor offered to freeze the interest on Miss H's account for 30 days to give her some time to think about her options. Miss H accepted this offer, and the advisor clearly explains that Miss H will need to call back by the end of the 30 days, or the account may be closed. I think it's clear from the call that Miss H understands this and Lloyds wrote to her on 1 and 2 September 2023 explaining the freeze and when it would end.

I haven't seen any evidence that Miss H called Lloyds again once the 30-day period had ended and I can see that the account continued to accrue interest between October 2023 and January 2024. Miss H continued to make payments into the account to keep it within the agreed overdraft limit until January 2024 when the payments stopped. As a result, Lloyds began to write to her about the overdraft as follows:

20 and 26 January 2024 – these letters let Miss H know she was above her arranged overdraft limit and that payment needed to be made to the account. The letters made her aware of the potential negative consequences for her credit file and asked her to get in touch to find a way forward as well as providing the details of independent debt advice charities.

15 February 2024 – this letter again lets Miss H know she's above her agreed overdraft limit still and asks her to make payment in the next 30 days. Again, it asks her to call Lloyds to agree a way forward and explains that if Miss H doesn't take action the account will be closed in two months from the letter and that may result in a default being recorded. The letter offers support from Lloyds and provides the details of independent debt charities.

23 March 2024 – this letter asked Miss H to get in touch before Lloyds closed her account. It told her when payment needed to be made by and that if she didn't get in touch the account would be closed and that this could impact her credit file. Again, Lloyds told Miss H how to get in touch with it for support and provided the details of independent debt advice charities.

So, I do think Lloyds gave Miss H notice that her account would be closed and that this would impact her credit file. And I can't fairly say they didn't give her an opportunity to bring the account back within its limits to prevent the account from closing.

The Information Commissioner's Office (ICO) says when a consumer is at least three months behind with their payments then a default may be registered. By April 2024 Miss H had been over her overdraft limit for three months and despite the letters Lloyds sent her she had been unable to bring the account back within its limit. As Miss H's account had been in arrears for three months, I think Lloyds was acting in line with the ICO guidance.

Miss H has explained she wasn't at her address in March 2024 as a result of domestic abuse and I'm truly sorry to hear this. She's told us she was going through a really difficult time, and I don't doubt what Miss H has said, but I can't see that she made Lloyds aware of her temporary change of address so it could stay in contact with her. I must also consider that it also wrote to her in January and February of 2024. Additionally, Lloyds has said Miss H had online banking and so would have been able to see there that she was over her overdraft limit.

Miss H has raised some points about The Equality Act 2010. I've taken what she's said into account but I'm unable to make a determination under that piece of legislation. Only a judge or tribunal can do that.

However, I have gone on to consider whether Lloyds treated Miss C fairly. I've carefully considered what Miss H has said about diligently building her credit score and the difficult circumstances with her health and domestic situation in the lead up to the account closure and default. I'm sorry to hear of her circumstances at that time and this service expects a business to treat customers who are experiencing difficulties positively and sympathetically. In this case, I can see that Lloyds wrote to Miss H about the arrears, offered her support, and signposted her to agencies who could provide help. Lloyds agreed a freeze on interest on the account when Miss H called in August 2023 to explain her personal circumstances and financial difficulties. All of this is in line with what this service would expect.

Looking at Miss H's overall circumstances, it's evident from the August 2023 calls that she couldn't afford to repay the overdraft, and it didn't appear that there was any prospect of her situation changing in the short or medium term. All of this meant the account was no longer manageable for Miss H. In these circumstances businesses can agree short periods where the interest can be suspended to allow customers time to get things back on track. But this isn't something we would expect them to do indefinitely, and it isn't unreasonable for a business to close and default an account in these circumstances to prevent further interest accruing and potential financial harm.

In this case, Lloyds did agree an interest freeze to give Miss H some space to explore her options. But I can't see that Miss H got back in touch with Lloyds after this to discuss a way forward. Miss H kept the account within its limits for another three months. When it appeared that Miss H was struggling to do this, Lloyds began contacting her to ask for payment and offer her support. I can't see that Miss H called Lloyds again before the account was closed. But she's said she went into branch and was told the letters could be a system error. I can't see a record of this conversation so I can't be certain what was said. But I think Miss H would have been able to see that she was over her limit from her statements or online banking. So, on balance, I think it was clear Miss H needed to contact Lloyds about repaying the account.

Taking all of this into account, I think Lloyds did offer Miss H support and even if that support had gone further (for example and additional short term interest freeze) I haven't seen anything that persuades me that Miss H would have been able to maintain the account or repay it. So, I can't reasonably conclude this would have prevented the account from defaulting.

I'm glad to hear Miss H is doing better now, and I empathise with Miss H's situation at the time and in the lead up to the default. But on the evidence available, I can't reasonably say that Lloyds shouldn't have defaulted the account or that it didn't give Miss H adequate notice of what would happen if she didn't make payment to the account or contact them.

Miss H wants the default removed from her account – and I don't doubt how upsetting this is for her. But, as I've explained, Lloyds gave Miss H notice that the account would default, and Miss H didn't take any steps between January 2024 and April 2024 to avoid this. I do understand why that was the case, but unfortunately, I can't say Lloyds should remove the default.

### **My final decision**

My final decision is that I don't uphold Miss H's complaint about Lloyds Bank PLC for the reasons I've set out.

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

Charlotte Roberts  
**Ombudsman**