

## **The complaint**

Ms S complains that Lloyds Bank PLC provided her with an overdraft which was unaffordable. She's represented in her complaint but, for ease, I've written as if we've dealt with her directly throughout.

## **What happened**

As set out in our earlier jurisdiction decision, we can only look at Ms S' complaint from 22 December 2017 onwards. At this point, Ms S' overdraft limit was £3,400 and remained at this limit thereafter. The account closed in January 2024.

In December 2023, Ms S complained to Lloyds saying they failed to take into account patterns of reliance on debt and "hardcore borrowing". They ought to have realised she was relying on the overdraft facility to pay all essential outgoings. Lloyds responded to Ms S' complaint in February 2024 but didn't agree they had given the overdraft irresponsibly.

Ms S wasn't happy with Lloyds' response, so she referred her complaint to the Financial Ombudsman. An investigator assessed her complaint and upheld it, saying that Lloyds should have stepped in and helped Ms S in April 2018.

Lloyds didn't agree with the opinion of the investigator. They referred to the substantial funds regularly received into Ms S' account and the fact that they fully complied with the repeat usage rules. They felt Ms S' usage of the overdraft was driven by poor money management, which was further supported by the fact that she consistently failed to engage with them.

Because an agreement couldn't be reached, the complaint has been passed to me to decide. In an attempt to resolve the complaint informally, I contacted both parties setting out why I felt the uphold point should be later than April 2018.

Lloyds responded to my email and confirmed they accepted to settle the complaint as suggested.

Ms S also responded, asking for the evidence I'd relied on to suggest the uphold date be delayed. I provided this, and asked some further questions, but did not hear back from her. I therefore now need to proceed with my final decision, based on the information available 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.

Based on what I've seen, I'm partially upholding Ms S' complaint, and I'll explain the reasons for my decision.

The crux of Ms S' complaint is that Lloyds didn't adequately review her overdraft usage and failed to provide the appropriate support. The relevant regulations set out that firms are

expected to periodically monitor review overdraft usage, to identify signs of repeat use and signs of actual or potential financial difficulties. And the regulations set out what steps a firm must take if they identify repeat usage or financial difficulties. So, I've considered whether Lloyds carried out appropriate reviews, what they found, what they should have found, and what steps they needed to take, if any.

The bank statements provided by Lloyds show that Ms S' overdraft was renewed every April between 2018 and 2019 and every July between 2020 and 2023. Lloyds haven't provided details of exactly what they found or considered at each review so I've gone on to think about whether they should have identified that Ms S was in financial difficulties.

It's clear that from December 2017, Ms S was consistently at the upper limit of her overdraft. She incurred a substantial amount of returned direct debits, some for essential bills, and took out several short-term loans.

I accept that these points, in isolation, suggest Ms S might have been struggling financially. However, I can also see that, during this period, she received significant credits into her account, from various sources. On a few occasions in 2018, she was able to come out of her overdraft as a result of these credits. The frequency and amounts of these payments increased in 2019, where around £360,000 was credited to her account. I noted she would sometimes transfer most of it back out to third parties but, on multiple occasions, these funds remained in her account and were either spent by her or transferred to another account in her name.

I asked Ms S questions around these transfers and requested she provide the statements for her other bank account, but she didn't respond. As a result, without knowing more about Ms S' wider financial circumstances, I'm not persuaded it can be fairly said she was struggling financially during this period. She often saw high balances and appeared to transfer some of these funds to an account in her name.

However, Ms S' circumstances appeared to change in 2020. She started receiving universal credit payments, the third-party transfers reduced – and later ceased – and she remained at the upper limit of her overdraft, often seeing multiple direct debits returned. So, I think it's fair to say she was showing clear signs she was struggling with the overdraft and, more generally, of financial difficulty.

I've then thought about when Lloyds ought to have stepped in to help Ms S, bearing in mind the July annual reviews from 2020 onwards. I'm not persuaded it would be fair to say they should have done so as early as July 2020. I say this because Ms S had informed them during a phone call in February 2020 that, although she was unemployed (after being on maternity leave), she was expecting to resume employment in September 2020. So, even though Ms S was showing signs of financial difficulty, I think it would have been premature for Lloyds to step in at this point as Ms S had suggested it was a short-term situation. I'm also satisfied that, had Lloyds contacted Ms S at this point to discuss her overdraft, the conversation they had had with her a few months prior would still have been relevant.

But I'm persuaded Lloyds ought to have stepped in by July 2021 as Ms S was still unemployed, quite clearly struggling to afford the overdraft and never saw a credit balance. I appreciate Lloyds did try to contact Ms S from July 2021 onwards and also showed some signs of forbearance. However, I don't think it was enough in the circumstances, as I believe Ms S' account management went beyond repeat usage and there were signs of financial difficulties.

So, overall and having carefully considered everything, I'm persuaded that Lloyds acted unfairly when they continued to provide Ms S with an overdraft in July 2021.

## **Putting things right**

As I've explained, Lloyds shouldn't have renewed Ms S' overdraft in July 2021. If they hadn't, she wouldn't have incurred any interest or charges in relation to it after that point. Therefore, Lloyds should:

- Rework Ms S' current overdraft balance so that all interest, fees and charges applied to it from July 2021 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Lloyds should contact Ms S to arrange a suitable repayment plan. If they consider it appropriate to record negative information on Ms S' credit file, they should backdate this to July 2021.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Ms S along with 8% simple interest\* on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Lloyds should remove any adverse information from Ms S' credit file.

\*HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Ms S a certificate showing how much tax they have taken off if she asks for one.

I've considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed above results in fair compensation for Ms S in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

## **My final decision**

For the reasons I've outlined above, I'm partially upholding Ms S' complaint and directing Lloyds Bank PLC to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 10 March 2026.

Amelie Makris  
**Ombudsman**