

### **complaint**

Miss K complains that Lloyds Bank PLC (formerly Lloyds TSB Bank plc) defaulted her account without making her aware it would be doing this.

### **our initial conclusions**

The adjudicator recommended that the complaint should be upheld. He acknowledged Lloyds had sent Miss K a default notice. But it later led her to believe she didn't need to take any action. He recommended that it should remove the default from her credit file and pay her £150 in recognition of the distress and inconvenience she has experienced. Lloyds doesn't agree. It says when it set up Miss K's repayment plan, it told her the account would be defaulted as a result.

### **my final decision**

To decide what is fair and reasonable in this complaint, I have considered everything that Miss K and Lloyds have provided. Having done so, I have reached the same conclusion as the adjudicator.

The final demand letter said Lloyds would register information with credit reference agencies if it didn't receive a satisfactory response. It explained the finance industry used the information in assessing a person's ability to manage their finances. Miss K rang Lloyds on receipt of the letter and was told she didn't need to take any action, as the letters were system-generated. I consider this to have been unhelpful. I'm not satisfied that the full impact of a default had been explained to Miss K. Lloyds asked her whether her situation had changed, and she said it hadn't. But she would, in my view, reasonably have interpreted that as asking whether she could increase her on-going monthly payments.

Bringing her account up to date to avoid the registration of a default is a different matter. It's clear from the letter that it wasn't too late to stop the default being registered. I accept, on balance, that if Miss K had appreciated the full impact a default would have, she may well have been able to borrow money from a friend or family member. The balance on her card at the time was little over £700. In the circumstances, I consider that Lloyds should remove the default from Miss K's credit file. As regards compensation, I agree with the adjudicator that Lloyds should pay Miss K a further £150 to reflect the inconvenience she has experienced in not being able to obtain credit.

**My decision is that I uphold this complaint. I order Lloyds Bank PLC to remove the default from Miss K's credit file and pay her a further £150 for distress and inconvenience.**

**Under the rules of the Financial Ombudsman Service, I am required to ask Miss K either to accept or reject my decision before 11 February 2014.**

*Juliet Collins*

*ombudsman at the Financial Ombudsman Service*

The ombudsman may complete this section where appropriate – adding comments or further explanations of particular relevance to the case.

### **ombudsman notes**

Where the evidence is incomplete or inconclusive (as some of it is here) I reach my decision on the balance of probabilities – that is what I consider is most likely to have happened, given the evidence that is available and the wider circumstances.

It is important that Miss K notes that this decision will not prevent Lloyds (or any other financial institution) registering information about the future conduct of her accounts with credit reference agencies. I would also urge her to provide Lloyds with an up-to-date correspondence address, as it can't be held responsible for correspondence not reaching her if she doesn't do so.

### **what is a final decision?**

- A final decision by an ombudsman is our last word on a complaint. We send the final decision at the same time to both sides – the consumer and the financial business.
- Our complaints process involves various stages. It gives both parties to the complaint the opportunity to tell us their side of the story, provide further information, and disagree with our earlier findings – before the ombudsman reviews the case and makes a final decision.
- A final decision is the end of our complaints process. This means the ombudsman will not be able to deal with any further correspondence about the merits of the complaint.

### **what happens next?**

- A final decision only becomes legally binding on the financial business if the consumer accepts it. To do this, the consumer should sign and date the acceptance card we send with the final decision – and return it to us before the date set out in the decision.
- If the consumer accepts a final decision before the date set out in the decision we will tell the financial business – it will then have to comply promptly with any instructions set out by the ombudsman in the decision.
- If the consumer does not accept a final decision before the date set out in the decision, neither side will be legally bound by it.