

complaint

Mr S complains that Lloyds Bank PLC mis-sold him packaged bank accounts.

background

Mr S originally opened a student account at Lloyds in 1996 and he changed to a Classic account in March 2003. These were both fee free bank accounts.

Later on in 2003, during a meeting in a Lloyds' branch, Mr S upgraded his account to a fee paying Select account.

He upgraded to a Gold account (which he also paid a monthly fee for) during a phone call with Lloyds in 2006.

In 2008, Mr S changed to a Platinum account, which he paid a fee for.

Mr S downgraded to a fee free Club Lloyds account on 18 May 2018.

Mr S's main complaint is about charges he's incurred. He says he's also unhappy with the way that Lloyds sold him the accounts, as if it was in his best interests to have this type of account.

Our adjudicator looked into Mr S's complaint. He thought the Select and Platinum accounts offered Mr S useful features and Lloyds hadn't mis-sold these accounts to Mr S. So our adjudicator didn't uphold this part of Mr S's complaint.

Our adjudicator did feel that Lloyds had incorrectly recommended to Mr S that he should upgrade to the Gold account. He said that was because the Select account Mr S had at the time he'd upgraded was appropriate for his needs – so he could've just kept that. As Lloyds had already offered to refund Mr S the extra cost of having the Gold account our adjudicator thought that was fair to resolve this part of Mr S's complaint.

Mr S disagreed with our adjudicator's view. He asked for an ombudsman to review his complaint. He also mentioned that he thinks he was paying for a packaged bank account as long ago as 2001.

The complaint came to me to decide. I issued a provisional decision.

my provisional decision

Here are some of the main things I said.

"After thinking carefully about everything, I'm not thinking about telling Lloyds to do any more than it has already offered to do. I'll explain why.

I've taken into account that Mr S thinks he held a packaged bank account in 2001. But I don't think it would be reasonable to rely on Mr S being able to remember exactly what bank accounts he held 18 years ago. So what he says isn't enough on its own for me to be able to say he's right about this.

Where there's disagreement about what happened, I have to look at all the available information and decide what I think is most likely. Lloyds' records show that Mr S didn't take out a fee paying packaged bank account until 2003. And I've no reason to think that Lloyds' records about this wouldn't be accurate and shouldn't be relied on. So, on balance, I think it's more likely that Mr S is mistaken about the date he first upgraded his account. I think this happened in 2003. So I've looked carefully at what happened when he did this.

Select account

I've started by thinking about whether Mr S was given a clear choice about taking this account. Lloyds was required to take reasonable steps to make Mr S aware that taking out this fee paying account was optional.

Mr S previously had a fee-free account with Lloyds. So I think he would've known this was still available and that he could've kept using a fee-free account if that's what he had wanted.

Looked at overall, I think Mr S understood that it was his choice to have the Select account and his account was upgraded with his agreement.

Lloyds recommended the account to Mr S. If a business makes a recommendation to a customer to buy a financial product, it has to take reasonable steps to make sure that what it recommends is suitable.

This account offered features that Mr S took advantage of. Mr S told us he drove a vehicle and Lloyds said he made a claim on the car breakdown cover offered with this account in March 2005. It doesn't look to me like Mr S had any other car breakdown insurance set up as he didn't provide any details about this when we asked. As the Select account was the lowest fee account to offer car breakdown cover, I think Lloyds' recommendation for this account was fair. And the fact that Mr S relied on the car breakdown cover suggests he had a need for this.

Mr S also told us he owned a mobile phone. As it appears he didn't have any mobile phone insurance arranged, I can see why Mr S might've felt this could be a useful account feature worth paying for.

Additionally this account offered a £50 fee-free and interest free overdraft. It appears that this was a feature Mr S used. And I think he would've welcomed the reduction in the amount of his overdraft costs.

Given that Mr S was able to protect his mobile phone and benefit from the breakdown cover and save some money on the overall costs of being overdrawn, I think this account was suitable for his needs.

It looks like Mr S would've been able to take advantage of all the main benefits available with the Select account. So I don't think it's likely that having more information about the various policy exclusions and limitations would've put him off taking out this account. I think he would've still chosen to sign up to the Select account – and that it proved worthwhile for him as he's been able to make use of benefits it offered.

Gold Account: would continuing with the Select have been a better recommendation?

When Mr S complained to Lloyds, it said that the Select account would've still been suitable for Mr S's needs when it sold him the Gold account – and I agree.

I think that Mr S still benefited from having some of the benefits a packaged bank account offered. He made a claim on the car breakdown service in May 2007. As it seems he didn't have any stand-alone or existing cover that he could rely on in these circumstances, it looks like he still had a need for this cover. And it looks like he continued to benefit from the reduced overdraft rate above £50 that the Select account would've offered.

So I think that Lloyds is right to say that Mr S is out of pocket as he paid extra for the Gold account, over and above what he would've paid for the Select account.

Before Mr S brought his complaint to us, Lloyds had already offered to refund the difference in fees between the Gold and Select account which I think is fair.

Platinum Account

I don't know exactly what might've been discussed when Mr S changed to a Platinum account. But I can see it offered features that it's likely he was interested in.

This account offered worldwide travel insurance (with family cover or winter sports for two people), AA breakdown cover, mobile phone insurance and Sentinel card protection.

The Platinum account offered some extra benefits over and above the select account including commission free travel money, the option to book discounted holidays, charter flights and cruises through Lloyds TSB Travel service, and UK Airport Lounge access.

The AA breakdown insurance that came with this account offered significantly better cover than was available under the Select account - Roadside, Relay and Home Start in addition to Accident Management which was all that was available with the Select account. Mr S had previously benefitted from having AA breakdown insurance. So I think it's likely that this additional cover was something he might've wanted to have at the time as he continued to drive a vehicle.

The Platinum account also offered a £250 interest-free overdraft facility. Looking at the way Mr S used his bank accounts, I think he found it useful to be able to overdraw regularly. Based on all the information I've seen, it looks like he quite often had a three figure overdraft. I think this particular account feature, which offered him the option to go overdrawn on an interest free basis up to £250, would've been an important consideration for him.

Lloyds recommended the account to Mr S and I don't think I've seen enough information overall to make me think it was unsuitable for him.

Only this account offered Mr S the overdraft feature that the evidence suggests was useful and worthwhile for him. And bearing in mind that Mr S didn't have any stand-alone or existing travel, mobile phone or car breakdown cover in place, I think it's likely he had a need for these benefits.

Overall, taking into account the other account features that Mr S could've reasonably expected he might want to take advantage of, I think Lloyds' Platinum account was, broadly speaking, a fair recommendation for him.

I haven't seen anything in his circumstances to suggest that Mr S would've been significantly affected by any of the policy limitations at the time he agreed to upgrade. So I don't think having more information about these would've put Mr S off the Platinum account.

I've looked at all the information provided about Mr S's complaint. And I've thought about everything he's said. Mr S said he was unhappy about the charges incurred on the Select, Gold and Platinum accounts. But as far as I can see, Lloyds applied charges in line with account terms and conditions.

So, I can't fairly and reasonably say that Lloyds treated Mr S unfairly when it applied charges on his accounts."

what the parties said in response to my provisional decision

Both parties have confirmed that there's nothing further they wish to add following my provisional decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding this complaint.

Having done so, and as no further comments have been received in response to my provisional decision that change my view, I still think it's fair to uphold this complaint for the reasons I explained in my provisional decision.

putting things right

Lloyds should do as it has offered and:

- work out and pay Mr S the difference in the fees he paid between the Gold account and the Select account for the whole period he held a Gold account, and
- add simple interest at 8% per year on to the above amount, from the date Mr S paid the fees to the date of settlement[†].

If Lloyds is able to work out any savings Mr S has made from holding the Gold account and it can show these calculations to him, it may, if it wants, deduct this additional saving from the payment it makes him.

[†]HM Revenue & Customs requires HSBC to take off tax from this interest. Lloyds must give Mr S a certificate showing how much tax it's taken off if he asks for one.

my final decision

I direct Lloyds Bank PLC to pay Mr S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 April 2019.

Susan Webb
ombudsman