

## **Complaint**

Mr B has complained that Lloyds Bank PLC ("Lloyds") unfairly added interest and charges to his overdraft when he was experiencing financial difficulty. He's unhappy with the amount Lloyds had refunded so far.

## **Background**

Mr B has also complained about the interest, fees and charges added to a credit card. But we've already explained to the parties that that complaint is being looked at separately.

One of our adjudicators looked at Mr B's complaint and thought Lloyds should have realised Mr B's overdraft had already become unsustainable for him by March 2013. And as the position hadn't improved by the end of the period it already refunded fees for (March 2013 to June 2014) it needed to refund any interest, fees and charges (not already refunded) added to Mr B's overdraft from this point. Lloyds didn't provide a response to our adjudicator's assessment. So the complaint was passed to an ombudsman for review.

## **My findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Lloyds will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges. So I don't consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I think Lloyds acted unfairly by not refunding the fees added to Mr B's overdraft from June 2014 onwards. Mr B's statements show that he hadn't seen a credit balance for an extended period of time. And the funds going into the account were nowhere near enough to repay what was owed within a reasonable period of time. Indeed, the amount going in was usually only enough to cover the charges being added and stop the balance going over the limit. So I think that Lloyds should have stopped providing the overdraft on the same terms and treated Mr B with forbearance rather than adding even more interest, fees and charges on the overdraft.

All of this means that Lloyds should have realised that Mr B was experiencing financial difficulty and offered him assistance. As Lloyds didn't react to Mr B's account usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

Mr B ended up paying additional interest, fees and charges at a time when he was already experiencing difficulty. So I think that Mr B lost out because of what Lloyds did wrong and that it should put things right.

## **Fair compensation – what Lloyds needs to do to put things right for Mr B.**

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Mr B's complaint for Lloyds to put things right by:

- Reworking Mr B's current overdraft balance so that any interest, fees and charges (not already refunded) applied to it from June 2014 onwards are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Lloyds should contact Mr B to arrange a suitable repayment plan for this. If it considers it appropriate to record negative information on Mr R's credit file, it should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in March 2013.

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 Mr B 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 Mr B's credit file.

† HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Mr B a certificate showing how much tax it has taken off if he asks for one.

It is unclear whether Lloyds has sold an outstanding balance on this account to a third-party debt purchaser, or asked a third-party to collect the balance on its behalf. But if Lloyds has sold an outstanding balance on this account to a third-party debt purchaser, it will need to either buy the account back from the third-party and make the necessary adjustments, pay an amount to the third party in order for it to make the necessary adjustments, or pay Ms B an amount to ensure that it fully complies with this direction.

### **My final decision**

For the reasons I've explained, I'm upholding Mr B's complaint. Lloyds Bank PLC should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 3 October 2021.

Jeshen Narayanan  
**Ombudsman**