

complaint

Mr H complains that Lloyds Bank plc unfairly removed his overdraft facility without warning.

background

Mr H says that he received no proper warning from Lloyds about its decision to remove the overdraft facility. He also considers that the way in which Lloyds dealt with his account in the couple of years running up to the eventual removal of the overdraft facility caused him significant inconvenience and interest and charges which he could have avoided.

Although Lloyds has since refunded some interest and charges, Mr H seeks a full refund from January 2013.

Lloyds says that it told Mr H it would not be renewing the overdraft facility in January 2013, and says it then made the decision to allow the facility to remain on a temporary basis to assist repayment and avoid the account having to be defaulted or closed.

Lloyds says that it sent Mr H a letter in April 2015, giving him a month's notice that the overdraft facility was going to expire. The account was brought into credit and the overdraft facility was removed. Lloyds refunded charges and interest incurred since 1 July 2014 and paid Mr H £75. It does not agree that Mr H should receive all the charges and interest back.

As things were not settled, Mr H brought the complaint to this service where an adjudicator investigated it. From the evidence, the adjudicator felt that Lloyds had made reasonable efforts to help Mr H manage his banking. Whilst Mr H had incurred interest and charges on the overdraft, Lloyds had not closed his account or registered a default on his credit file.

As Lloyds had already refunded the interest and charges applied from July 2014 (the point at which the account would ordinarily have been defaulted and closed) the adjudicator concluded that Mr H had been treated fairly overall. Given that, the adjudicator did not recommend that the complaint should succeed.

Mr H did not agree and said, in summary:

- He did not realise that the overdraft facility had been made temporary – Lloyds did not explain that at the time. He would not have cared about the effect on his credit file of a default registration, and doesn't understand why Lloyds arranged things that way.
- If Lloyds had told him what it was doing, and he'd realised the overdraft would eventually be withdrawn, he could have gone to his parents and got them to clear the debt. Then he would have avoided the interest and charges.
- He was encouraged by Lloyds to continue to use the overdraft facility, so that it could add interest and charges. This should also be investigated.

my findings

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

When Lloyds initially decided not to renew the overdraft facility, it left the facility in place on a temporary basis and let Mr H continue to use his account. This was as an alternative to closing the account and registering the debt as in default. Ordinarily, the account would have been closed and the debt passed to the recoveries team if repayment was not achieved within eighteen months.

Mr H says he did not realise that this was how Lloyds was treating the account and that, had he known, he would have asked his parents to pay off his debt and so would not have incurred interest and charges on the continued overdraft – or been placed in difficulty when it was removed for good in May 2015.

But overdraft facilities are always subject to terms which include that they may be withdrawn on demand. So, although Lloyds continued to allow the overdraft on a temporary basis after January 2013, this did not mean it had to provide it indefinitely. And it had always been open to Mr H to ask his parents to repay the debt, if he wanted to avoid paying any charges and interest.

In the ordinary way of things, when the debt was not repaid within eighteen months Lloyds would have closed the account and transferred it to the recoveries area. A default registration would have been put on Mr H's credit file and no further interest or charges would have been incurred.

That would have happened in July 2014, and Lloyds has since refunded all the charges and interest from that date. So Mr H has not been financially disadvantaged by the account remaining open after that – and has had the added benefit that no default registration was made on his credit file.

I appreciate that Mr H says he did not realise the overdraft was going to expire in August 2015. Lloyds has provided persuasive evidence that it sent out a letter, giving Mr H a month's warning about the lapse of the overdraft facility. So I find on a balance of probabilities that Mr H was sent fair warning.

£4,000 was paid into the account exactly a week before the date on which the overdraft facility was due to expire. It repaid the overdraft of just under £2,000 and left the account in credit.

Mr H says this money was not intended to repay the overdraft debt, and was intended for the purchase of a new boiler. However, in all the circumstances and given that I have found Mr H was sent fair notice that the overdraft facility was to expire, I am not persuaded that Lloyds should have allowed the overdraft facility to remain in place.

Overall, I consider that Lloyds has already made sufficient refunds to compensate Mr H for any lack of clarity that there may have been about the exact status of the overdraft facility on his account after January 2013.

As well as the original refund of £375.57 and payment of £75, Lloyds has also refunded a further £72.19 charges and waived £0.13 of pending charges. I consider that this is fair, and find that Lloyds is not required to do more.

my final decision

My final decision is that I do not uphold this complaint, as Lloyds had already done enough to settle it fairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 29 February 2016.

Jane Hingston
ombudsman