

complaint

Mr B complains that poor service provided by Lloyds Bank PLC on his business account has led to financial problems and caused him serious inconvenience and distress.

background

Mr B had a loan and a business current account – with an authorised overdraft - with the bank. These accounts had operated satisfactorily for some time, even though Mr B had closed his business and found other employment. In late 2011 the bank decided to transfer the management on Mr B's accounts to a new department. In early 2012 the bank asked Mr B to re-finance his debt, but he was unwilling to do this.

Mr B's overdraft was due for renewal at the beginning of March 2012. Mr B says he tried several times to contact the bank to discuss his account, but got nowhere. Instead the bank cancelled the overdraft and began returning items and charging fees and interest. The limit was re-instated at the end of the month with the limit reducing on a monthly basis.

There were no more problems until late July, when Mr B forgot to make a transfer into the account to meet his monthly loan payment. However, he transferred money a few days later and the loan payment was made. About ten days later the bank debited Mr B's account with a sum he did not recognise, and Mr B asked the bank to explain this. The debit also meant he exceeded his overdraft limit and fees began to accrue.

Mr B stopped paying money into the account in late August in protest at the lack of communication from the bank. In October, his previous bank manager acknowledged that there were grounds for complaint.

Mr B began negotiations with the bank on how to clear his debt but remains unhappy that the bank is expecting him to pay his other creditors less than already agreed, simply so he can repay the bank faster.

The bank acknowledged in November that it was sorry that it had not returned calls and that the overdraft should have been extended rather than cancelled in March. It said the unrecognised payment taken in August was for arrears on the loan and that the bank should have advised Mr B of this. The bank offered to refund fees and pay compensation totalling £310.

The adjudicator recommended that this complaint should be partly upheld. She concluded that the service that Mr B had received was less than satisfactory and that the bank's actions – in particular the cancelling of the overdraft – had caused charges that would otherwise have been avoided. She did, however, point out that as Mr B had stopped making payments into the account the bank was entitled to start recovery procedures. She recommended – and the bank agreed – a refund of £275 of fees and about £30 of interest charged between March 2012 and when the account was closed. She also recommended that the bank should pay £250 compensation for distress and inconvenience. Finally, she concluded that the bank was entitled to set a repayment amount for the debt that it found acceptable.

Mr B has responded to say, in summary, that the now known to be incorrect payment the bank took in August started the whole saga, but that he is still left being asked to pay more than he can afford towards the debt and possibly have his credit record affected. He said that he would talk to his solicitor and respond further in due course.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I have looked at the bank's internal records of how it handled Mr B's account. Some notes from 2009 are comprehensive, but from late 2011 onwards less so. I can see that the bank wrote to Mr B many times and he does not dispute this. But I cannot see that the bank has records of any of the – Mr B says many – times he tried to call the bank, other than two. One was when the overdraft was renewed in March and the other in August when the note says Mr B failed to pass security. Nor can I see that the bank made any attempts to call Mr B during this period. The notes only become comprehensive again once Mr B is negotiating repayment of his debt with the recoveries department.

Mr B has given us a breakdown of all the times he tried to make contact with the bank, and I am persuaded that this reflects his efforts. I say this because Mr B has not attempted to avoid previous discussions about his accounts, even if he did not always agree with the bank's suggestions. And when he contacted his old bank manager for help he was told that he had reason to complain. So I am satisfied that the bank's level of service was poor.

I am also satisfied that – as the adjudicator said – cancelling Mr B's overdraft was not the correct response to his financial position. I accept that the bank is entitled to decide what facilities it wants to offer a customer, but cancelling a facility and imposing charges simply made the position worse and is not a positive or sympathetic response to a customer facing financial difficulties.

The bank has also not explained the unrecognised payment it took from the account in August, other than that it was wrong to do so. It took the involvement of this service to get the bank to agree this. That again is poor service given that Mr B says he has been asking for this information for many months. Having said that, the payment reduced his debt on his loan account, so Mr B did receive some benefit.

Mr B says he was told that his offer of £200 a month towards his debt was unaffordable – and he agreed and lowered the offer to £100. The bank then said that it wanted Mr B to repay it and his other creditors amounts proportionate to the amount of debt he owed. That meant the bank wanted Mr B to pay just under £300 a month on the business debt rather than £100. The bank's notes on this say Mr B is underpaying some creditors and overpaying others. Somewhat surprisingly it included a personal loan from Lloyds in the overpaid category and recommended that Mr B reduce payments on this whilst increasing payments on his business debt. I can understand the bank's suggestion that Mr B pay his creditors proportionally. However, it seems senseless to ask him to renegotiate payments with another part of Lloyds when the bank could allocate the overall reduction as it sees fit.

Following this proposal Mr B referred his complaint to us and the bank stopped recoveries activity.

Overall, I do find that the bank has treated Mr B poorly and the level of service has been much lower than he should expect. So I agree with the adjudicator that the bank should refund all charges on the account from April onwards and pay him the compensation offered.

I am satisfied that the revised compensation - £250 – is a fair response to the problems caused by the bank's poor service and is in line with awards we have made in similar circumstances.

The bank is obliged to report the conduct of Mr B's account to credit reference agencies correctly. So it should ensure that Mr B's record reflects the balances on his account as if the overdraft facility was available continuously through March 2012. Having said that, Mr B – albeit out of frustration at the bank's lack of response to him – did stop making payments into his account in August. So, if the bank has recorded missing payments from that date on, it would have done so correctly. That means that I would not ask the bank to correct any records that show these. And if Mr B comes to an agreement to pay his debts – which I would urge him to do - then that also may be recorded. I would remind the bank that it is obliged to treat customers in financial difficulties positively and sympathetically.

my final decision

My decision is that I uphold this complaint in part. In full and final settlement, I order Lloyds Bank PLC to refund all charges and interest on Mr B's current account from March 2012 until closure. That totals £275 in fees and about £30 interest. The bank should also pay Mr B – directly - £250 compensation for the distress and inconvenience it has caused. Finally, the bank should ensure that Mr B's credit record fairly reflects what happened on his account as outlined above.

Susan Peters
ombudsman