complaint

Mr J and Mr W complain about bank charges and unpaid item fees charged to them by Lloyds Bank PLC.

background

Mr J and Mr W had a number of loans with Lloyds Bank Plc. Some were in Mr W's sole name but some were joint loans. The first loan was taken out in 2001. It was sold with Payment Protection Insurance (PPI) and was paid off using a later loan.

Mr J and Mr W complained to Lloyds about the PPI that had been sold with these loans. Lloyds looked into this and made an offer to Mr J and Mr W in October 2013 to refund to them some of the PPI costs they'd paid along with interest. This was because the bank agreed that some of the PPI policies had been mis-sold to Mr J and Mr W.

But Mr J and Mr W aren't happy with this – they say that the extra payments made each month because of the PPI caused them to incur unnecessary bank charges. It also meant that items were returned unpaid which incurred charges as well. So Mr J and Mr W want Lloyds to refund the charges to Mr W. They think that the cost of this, from 2001 to 2007, is in the region of £5,000.

Mr W also says the extra monthly cost of the PPI made the monthly loan repayments unaffordable and this is why payments were missed. And, because of this, he feels the fees for missed payments which were charged are also a direct result of the PPI mis-sale.

Lloyds were asked for their business file in July 2014. The bank didn't respond and so our adjudicator looked at this complaint with the little information that was available at the time. As a result, our adjudicator said that all charges applied to Mr W's bank account should be refunded from 2001 until the final loan was settled. In addition, our adjudicator recommended a payment of £150 for inconvenience caused to Mr J and Mr W by the delays.

Lloyds did respond and sent us copies of the bank statements for the relevant time. It says that the loan repayments for one of the loans were paid towards the end of each month between 2001 and 2004. And each monthly loan repayment didn't create any overdraft excesses or chargeable events. However, other account usage did cause overdraft excesses on a number of occasions. And there were credit card repayments and various regular financial commitments coming out of the account which had an effect on the monthly spending.

So the bank doesn't agree that the charges for overdraft excesses were a direct result of the monthly PPI premium repayments paid from Mr W's account. Instead, it says these charges reflected the customers spending activities and many financial commitments.

However, the bank does accept it's dealt with this matter slowly and so it's willing to pay the consumer £150 for the inconvenience caused by this. The bank's also recalculating the interest on the PPI offer made in October 2013 to bring it up to date.

Another adjudicator looked at this matter in light of the new evidence. And, having reviewed the new evidence, she didn't uphold this complaint against Lloyds. This was because she felt it was more likely that Mr J and Mr W would still have incurred charges even if they hadn't taken PPI.

Mr W didn't agree with this. He says if he hadn't been paying out PPI, the size of his outgoings would've been smaller, he would've been less overdrawn and paid fewer bank charges. Mr W also says he always had the statements that have recently been sent to us by the bank and doesn't feel they change anything.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I'm afraid I have to tell Mr J and Mr W that I think the adjudicator who reviewed the matter has reached the right outcome here.

It's not in dispute that Mr J and Mr W shouldn't have been sold PPI on some of their loans. So they shouldn't have paid extra for it. But Mr J and Mr W have been compensated by receiving back the extra they paid for PPI under some of the loans and, where appropriate, the amounts which were consolidated into subsequent loans along with interest.

So I need to consider if this is enough to put them back in the position they would've been in if they hadn't taken out PPI. As part of this, I've thought about whether the extra payments for PPI *directly* caused Mr W's financial difficulties and resulting bank charges.

But I don't think they did. I've seen some of Mr J and Mr W's bank statements from 2001 up to 2004. But the account runs as I'd expect to see a personal bank account to run: regular payments in and out for both personal and household expenditure. I can see Mr W made regular use of an overdraft. So because he was regularly doing this, I can see why Lloyds charged him. And it was entitled to do this. So I don't think Lloyds did anything wrong in applying these charges.

There is no one payment I can see which regularly put Mr W's account overdrawn triggering the charges. At some points, he's consistently in his overdraft for long periods of time. So, taking everything into account, I've not seen enough to say it was the PPI element of the loan repayments which was the *sole* cause of Mr W incurring bank charges on his current account.

I know this will come as a disappointment to Mr J and Mr W but I think they've been fairly compensated for the PPI mis-sale. And I don't think the bank charges Mr J and Mr W incurred were as a *direct* result of PPI being added to the loan.

Lloyds accepts that it's dealt with things slowly and has agreed to pay £150 to Mr J and Mr W for this. And I think it's right that the bank does this.

my final decision

For the reasons explained above, I don't uphold Mr J and Mr W's main complaint against Lloyds Bank Plc regarding bank charges. However, Lloyds should pay £150 to Mr J and Mr W, as it's already agreed to.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J and Mr W to accept or reject my decision before 30 December 2015.

Rebecca Ellis
ombudsman