

complaint

Ms M held a fee-free account with Lloyds Bank PLC for many years and then she upgraded to a packaged Gold bank account in 2006. She kept this account until September 2011 when she upgraded to a packaged Premier bank account. The packaged accounts came with several benefits and, in return, Ms M paid a monthly account fee. Ms M believes the Premier account was mis-sold.

background

I issued a provisional decision in August 2015. A copy of this is attached and forms part of this final decision. In my provisional decision I explained why at that stage I intended to uphold Ms M's complaint and direct Lloyds to refund, in part, the account fees that she paid. I gave both Ms M and Lloyds the chance to provide further information and comments.

Lloyds have accepted my decision but have asked that I limit the period of time in respect of which they have to refund Ms M's fees. They say that when they responded to Ms M's complaint they made clear to her that, as she wasn't happy with her packaged account, she could downgrade it to a fee-free one. They say that they also told her how to go about doing this. But she didn't downgrade her account and so Lloyds say that they shouldn't have to refund these fees.

When Ms M responded she said that, as I am allowing Lloyds to deduct any savings Ms M made as a result of having the packaged account, I should also make them add any charges, such as overdraft charges, incurred by Ms M that she would not have incurred if she'd been sold the cheaper Platinum account.

my findings

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

As to what Lloyds have said about limiting Ms M's compensation, I do not agree. Ms M was under no obligation to cancel the package. She was unhappy with the conclusion that Lloyds reached about her complaint and asked this service to consider the matter independently. We have asked her why she didn't downgrade her account when Lloyds told her that she could. She said that she wanted to wait until everything was sorted out and that she was afraid it might affect the ongoing complaint. I don't think this was unreasonable. I therefore require Lloyds to put things right for Ms M in the way I have set out in my provisional decision.

Next I've dealt with what Ms M has said about refunding any charges she incurred by having the more expensive packaged account. Ms M doesn't use her overdraft extensively – she is usually in credit – and so looking at my redress award overall, I'm satisfied that the 8% interest that I have ordered Lloyds to pay Ms M adequately compensates her for any costs she incurred because of the mis-sold Premier account.

So, although I have considered very carefully both parties' comments, I remain satisfied that the compensation I have directed Lloyds to pay is fair and reasonable. I confirm the findings of my provisional decision and I require Lloyds to put things right for Ms M in the way that I have set out in my provisional decision.

my final decision

For the reasons I've explained, I don't uphold this complaint and I make no award against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I am required to ask Ms M to accept or reject my decision before 19 October 2015.

E J Mc Allister
ombudsman

COPY OF PROVISIONAL DECISION

complaint

Ms M held a fee-free account with Lloyds Bank PLC for many years and then she upgraded to a packaged Gold bank account in 2006. She kept this account until September 2011 when she upgraded to a packaged Premier bank account. The packaged accounts came with several benefits and, in return, Ms M paid a monthly account fee. Ms M believes the Premier account was mis-sold.

background

When Lloyds looked into the complaint, they thought that they had mis-sold the Gold account to Ms M. They thought that if they had given her clearer information, she would have chosen the cheaper Select account. They therefore refunded Ms M the difference between the cost of the Gold account and the Select account with interest. But Lloyds didn't think that they had mis-sold the Premier account to Ms M. She therefore referred her complaint about the Premier to this service. We have not looked into the sale of the Gold account as Ms M seems to be happy with the compensation that Lloyds paid her for this.

When our adjudicator looked into the complaint about the Premier account, he didn't think the complaint should be upheld. Ms M disagreed so the complaint has come to me for a decision.

my provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. We have set out on our website our general approach to complaints about packaged bank accounts and I have taken this into account when deciding Ms M's complaint. Having done so, at this stage I have decided to uphold it in part.

Ms M has complained that when she upgraded to the Premier account from the Gold account she wasn't told about the account fee. She says she didn't notice it on her bank statements. She also says that she didn't need the account because she had a new car that came with car breakdown cover and a new phone that came with insurance. She says that the Lloyds representative told her to cancel her standalone boiler cover because the home emergency cover that came with the Premier account worked out cheaper and was better. Ms M says she did cancel her cover. She says that there came a time when her boiler started making a banging noise but that when she tried to use the home emergency cover, she was told it only covered a complete breakdown and, now that the boiler had a pre-existing problem, it wouldn't be covered at all.

Lloyds say that the benefits would have been discussed with Ms M and that she would have been told the account fee. They say she would have been aware of the fee from her bank statement as well. They have provided a customer note from the time of the upgrade to the Premier. It says that Ms M was interested in the enhanced breakdown cover and that at that time she was paying her Gold account fee as well as her own standalone breakdown cover fee. It also says Ms M was interested in the home emergency cover as she was "paying £15 per month to gas for not as good service".

First I have looked at whether Ms M knew there was a monthly fee to pay for the Premier account. I think she did because she has said that she was told the Premier would work out cheaper than everything she was paying out at the time for the same benefits. So I'm satisfied that there was a discussion about the fact there was a fee to pay and how much it was.

Next I've looked at what Ms M was told about the home emergency cover. Ms M is saying that she was told it would do the same job as the boiler care cover she was paying £15 per month for. I haven't been persuaded that she was told exactly that but I can see from the customer note that some discussion took place where the home emergency cover was compared with what Ms M had already and that there was a conclusion that it was better value. I can see that it's possible to read the customer note as being Ms M's conclusion and not Lloyds'. However, I do think it's likely that,

whatever was said, Ms M was given the incorrect impression that the home emergency cover would do what her boiler care did which included servicing and repairs. The problem is that it didn't.

Would Ms M still have upgraded to the Premier if she had known that? I don't think she would have. I know that the home emergency cover could have been of use to Ms M in domestic emergencies but I've not seen any evidence that she was interested in it for anything other than boiler care. I'm satisfied that Ms M was attracted to the enhanced car breakdown cover because the customer note says so and I think this is likely to be a true reflection of what was said. I know Ms M says she already had cover with her new car but, nevertheless, I'm satisfied she felt she needed this enhanced breakdown cover. I can see that she did use the breakdown cover that came with the Gold account several times so it's likely this made her think the enhanced cover would be worth having. But she could have got the enhanced cover with the Platinum.

Apart from the Home Emergency Cover, the Platinum account had virtually the same benefits as the Premier. It's true the interest-free overdraft limit was only £250 (whereas the Premier's was £500) but I don't think this difference mattered very much to Ms M.

So my view at present is that if Lloyds had told Ms M about the Platinum account, she would have upgraded to it because it offered her the enhanced breakdown cover that she wanted for just £5 per month more than she was already paying.

I appreciate that there may have been some benefits on the Platinum account that Ms M wouldn't have wanted or used. But packaged bank accounts are rarely tailored to the individual so it's unlikely that every customer will find every benefit useful. It would have been for Ms M to decide whether the benefits, as a whole package, were attractive to her. Consumers may have been attracted to a packaged bank account even if they didn't intend to use every benefit.

So my provisional decision is that Lloyds didn't give Ms M clear, fair and non-misleading information about the Premier account and that, if they had, she wouldn't have taken it. However, I think that, if they had told her everything she needed to know about the Platinum account, she would have upgraded to it instead. I am minded to require Lloyds to put things right as set out below. I should say that if Ms M had upgraded to the Platinum, I think she would have kept paying for her standalone boiler cover. However, I don't think this should be deducted from the refund that I have set out below. I say this because, although she saved on the monthly boiler care cost, she will instead have had the cost of paying for servicing and repairs herself.

what Lloyds should do to put things right

Lloyds Bank PLC should put Ms M in the position she would have been in if she had upgraded to the Platinum account instead of the Premier account. So Lloyds Bank should:

- Refund to Ms M the difference in the monthly fees between what she paid for the Premier packaged account and what she would have paid for the Platinum packaged account.
- Add interest at 8% per year simple on each of these amounts from the date she paid them to the date of settlement of the complaint[†]; and
- I have seen that Ms M used her overdraft while she had the Premier account. If Lloyds can calculate the additional savings Ms M has made (over and above those she would have made by holding a Platinum account) and can show these calculations to her, they may, if they wish, deduct this additional saving from any compensation that is paid.

[†] Lloyds Bank PLC may be required to deduct basic rate tax from this part of the compensation.

Whether Ms M needs to take any further action will depend on her financial circumstances. More information about the tax position can be found on our website.

Ms M should refer back to Lloyds Bank PLC if she is unsure of the approach it has taken and both parties should contact HM Revenue & Customs if they want to know more about the tax treatment of this portion of the compensation.

my provisional decision

For the reasons I've explained, I intend at this stage to uphold the complaint in part and to require Lloyds Bank PLC to put things right for Ms M in the way that I have set out above.

If either Lloyds Bank PLC or Ms M wish to make any further comments or send me more information, they should do so by 10 September 2015. After that I will make my final decision.

E J Mc Allister
ombudsman