

complaint

Mrs A complains that Lloyds Bank PLC placed a default on her credit file following an unpaid balance on a joint account she held with her former husband.

background

Mr A became insolvent and Lloyds removed him from the joint current account with Mrs A and began to close the account. It said Mr and Mrs A are jointly and severally liable for the balance and so the large overdraft remained against Mrs A. It said once closed Mrs A had to repay the balance and had she done so it would've removed the default from her credit file.

Mrs A called Lloyds and said Mr A was becoming insolvent and Lloyds said Mr A should be present to allow a discussion of their situation. Lloyds said there was no follow-up call from Mrs A until it was following its insolvency process. Mrs A said her branch manager said no default would be put on her credit file so long as she made minimum payments but Lloyds then closed the account. Mrs A is concerned the default may be noticed by her employer.

Lloyds said when Mrs A called after her branch meeting it told her its manager wasn't able to advise on insolvency and had given correct information that she could pay interest and charges to keep the account overdraft within the agreed limit. Lloyds said it hadn't told Mrs A she wouldn't get a default on her credit file, or that the account would be suspended.

Lloyds said that as the balance wasn't repaid it had to report this to the credit reference agencies. It passed the debt to a recovery body but the balance has remained outstanding after several months. It said it was prepared to reach an arrangement for payment of the outstanding balance, but couldn't alter Mrs A's credit file until the balance was repaid.

The investigator didn't recommend that the complaint be upheld. He said Lloyds had processed Mrs A's account in accordance with the terms and conditions and treated her fairly. He said there wasn't any evidence of the agreement or discussion about the account to which Mrs A had referred. He said Lloyds has a duty to report a default of this kind.

Mrs A disagreed, saying Lloyds' manager had advised her Lloyds could keep the account open and had she known it would be closed she could've got a loan to clear the debt. She said she regretted not having another person present and said the advice meant she hadn't explored borrowing the money. Mrs A requested an ombudsman review her complaint.

my findings

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

I've looked carefully at Lloyds' handling of Mr and Mrs A's account to see if it has acted fairly. Lloyds' policy states it will close joint accounts where one party is insolvent and both parties will need to make new arrangements. I think it's reasonable for lenders to minimise the risk of growing debts in this way when dealing with insolvent account holders.

I sympathise with Mrs A for the large debt she is liable for. However, the terms of her account make her jointly liable and I think from what she's said that she was aware that she would be responsible for the debt on the account following her former husband's insolvency.

Mrs A and Lloyds disagree about the communications that took place at the time of the default, in particular Mrs A refers to a meeting with her branch manager. Her understanding of the outcome differs from Lloyds', and its policy in dealing with her circumstances, and so we need to see something to show what was agreed.

Lloyds' records of contacts with Mrs A don't show that it told her she could avoid a default by making the minimum payments, or that her account might be suspended. In the absence of anything to support the existence of an agreement by Lloyds to depart from its normal practice, I can't require it to take the action Mrs A believes it agreed to.

Mrs A said she was denied the opportunity to borrow the money to repay the overdraft. Lloyds state that no payments have been made to reduce the debt so far and so it would seem likely that the large outstanding balance on the account would have led to a default whatever communications had passed between the parties. It is open to Mrs A to borrow the money at any time and have the default removed.

Lloyds, in common with all lenders, is required to report unpaid debit balances to the credit reference agencies. I haven't found that Lloyds has acted towards Mrs A in error or unfairly and so I can't require it to remove the default on her credit reference.

my final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 9 February 2018.

Andrew Fraser
ombudsman