

complaint

Mr L complains about excessive charges on his account with Lloyds TSB Bank plc. He says that he has been experiencing financial hardship, and the charges have been making things worse for years. He would like the bank to refund charges of more than £4,000, which were applied to his account over a period of more than eight years.

background

Mr L explained that he earns a low wage and has experienced two periods of unemployment in recent years. His wife has been unable to work for health reasons. Mr L has been suffering from depression, and has had to borrow money from a relative to pay his debts. He says he asked the bank many times to reduce his bank charges, as they were unnecessarily high.

The bank explained that Mr L incurred fees for using his overdraft, and for returned direct debits. Its notes don't show that Mr L contacted it to tell it he was experiencing financial difficulties. It says that if he had done so, it would have been able to offer some practical assistance, including a possible refund of fees, suspension of future fees and information on how to manage debt. It sympathises with Mr L's situation, but doesn't consider that it has made any error in its dealings with him.

The adjudicator did not recommend that Mr L's complaint should be upheld, as she didn't consider that the bank had treated Mr L unfairly. She explained that a test case in the Supreme Court had established that banks do not have to refund charges that have been correctly applied, even in cases of financial difficulty. She said that account holders need to ensure that there is enough money in their account to cover payments when they fall due. Those payments include charges and debit interest where correctly applied. Banks are entitled to apply a charge where there is not enough money to cover those payments.

The adjudicator pointed out that the bank had accepted a settlement of more than £300 less than was due after it closed Mr L's current account. It had also accepted a short settlement of more than £1,200 less than was due on Mr L's credit card, when it was passed to the bank's debt recovery department in 2010.

The adjudicator considered that the bank had, overall, been positive and sympathetic to Mr L's situation, as it had written off more than £1,500 of his debt in total. She noted that Mr L had substantial debts to third parties, and suggested that he contact them to see what they could do to help his situation. She also gave Mr L details of two organisations providing free debt advice.

Mr L does not accept the adjudicator's assessment. He doesn't think the bank has been sympathetic, since it has never listened to him or helped him. He says that he visited the bank many times, asking it to lower his bank charges, as they were unnecessarily high. Not having to pay such high charges would have helped him financially at a time when he and his family were coping with serious illness and unemployment. He says that it wasn't his fault that he couldn't pay his bills, as he was made redundant. As he was out of work, he had no choice but to borrow money to settle the debt on his current account. His family experienced severe hardship due to his unemployment and family illness, and everything spiralled out of control, into a vicious circle of debt. In the circumstances, he doesn't see how the bank's treatment of him can be described as "fair".

Mr L appreciates that the bank accepted just over £300 less than the debit balance outstanding in settlement of the debt on his current account. So he's willing to reduce his claim for a refund of charges by that amount. But he considers the short settlement that the bank accepted on his credit card to be irrelevant to his complaint, which relates to charges on his current account. In the circumstances, he would still like a refund of more than £3,700 in charges.

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 the adjudicator explained, a bank is entitled to apply interest and charges to an account in accordance with its terms and conditions. But it does have a duty to treat customers in financial difficulty fairly and sympathetically.

Mr L says he complained about the level of fees on his account many times, and I note that the bank refunded £246 worth of charges to his account in March 2009. Statements for Mr L's current account show that the balance fluctuated in and out of overdraft over an extended period. But from July 2009, it was permanently overdrawn. Charges for an unplanned overdraft and returned items were applied monthly until December 2009, when the bank stopped applying charges to Mr L's account. Shortly after that, it converted it to a non-premium account with no monthly fee. The bank froze interest on the account when it transferred it to its collections department in April 2010.

Although Mr L says he complained about the level of fees on his account, I have seen no evidence that he told the bank that he was experiencing financial difficulties. I accept that if he had done so, the bank would, in all probability, have transferred his account to its debt recovery department at an earlier stage, and interest and fees would have stopped accruing earlier. As it was, Mr L continued making use of the account, and I consider that the bank acted reasonably promptly once it became apparent that the account was likely to remain overdrawn for some time. It ultimately accepted a settlement of more than £300 less than the balance outstanding on the account.

I have sympathy with the situation that Mr L found himself in, and do not wish to diminish the problems that he has faced. But in all the circumstances, I cannot conclude that the bank failed to do anything that it should have done, or that it acted unfairly in its dealings with Mr L. I cannot ignore the fact that Mr L also had the benefit of more than £1,200 being written off his credit card debt to the bank. But even without that, my decision would still be that I have seen nothing to persuade me that the bank failed to act fairly or sympathetically to Mr L.

my final decision

My decision is that I do not uphold this complaint.

Juliet Collins
ombudsman