

## **complaint**

Mr M complains that Lloyds Bank PLC didn't help him when he told it he was in financial difficulties.

## **background**

Mr M phoned Lloyds at the beginning of 2018 to tell it about his financial difficulties. He said it agreed to stop all overdraft charges, close his account and it told him to find an alternative bank to move over his direct debits and his income. It sent him a letter telling him his account would be passed to Recoveries and the default would go onto his credit record. He phoned them again because he didn't want a default recorded against him. He said its Collections team agreed to a repayment plan of £20 to stop the account going to Recoveries. But it then told him that because he'd used the switching service to transfer his account to another bank he had to pay back the whole of the balance of the overdraft in 30 days.

Lloyds said Mr M initially approached it in February 2018 to explain he was in financial difficulties. The bank agreed to suspend the overdraft fees "*and start the account closure*". It considered a repayment plan of £20 a month but it wasn't an agreement. It advised him to open a new bank account for his general banking needs but it didn't advise him to use the switching service to another bank. When he did that the effect was that he ended his agreement and so he had to repay the full balance outstanding. On 6 March 2018 Lloyds sent Mr M confirmation it'd received the switch request. And it completed the switch process on 14 March. It couldn't proceed with trying to reach a repayment agreement because the switching request meant the full balance of the overdraft became payable.

Our investigator initially thought Lloyds hadn't been fair to Mr M. She said it didn't tell him not to use the switching service. So she thought Lloyds should revert back to the initial repayment plan, remove any default markers and pay £100 compensation.

Lloyds didn't agree. It said its Collections department only deals with open accounts and only provides short term assistance. So Mr M's account would've been closed in any event and transferred to its Recoveries team so a long term agreement could be made. And a default would've been applied at that stage. It discussed the repayment plan with Mr M but it was never agreed. And a 30 day hold was applied to allow Mr M to review his finances. It didn't tell Mr M to use the switching service. It said it's the responsibility of his new provider to explain that a full switch will end any overdraft agreement. He could've opened a basic account with Lloyds. So it didn't think there was any bank error.

Our investigator considered this further and she concluded Lloyds hadn't done anything wrong. Mr M wasn't happy with this. He said Lloyds had offered a temporary repayment plan on the phone and told him to start looking for an alternative bank. He managed to "*switch some of (his) figures around to accommodate a repayment plan they had said they would put in place with their collection team*" The only reason he is now in this situation is because it told him to switch his account.

## **my findings**

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

## **my provisional findings and provisional decision**

I issued a provisional decision and in it I explained why I thought Mr M's complaint should be upheld and why Lloyds should pay him compensation. Both parties have responded and their representations have formed part of my decision below.

I've listened to the phone calls Mr M had with Lloyds on 19 February 2018 and 2 March 2018. And I don't think Lloyds has been fair to Mr M.

There were two phone calls on 19 February 2018. This was when Mr M phoned the bank about his financial difficulties. It's clear to me that the person Mr M spoke to was trying to help him and went through his income and expenditure in some detail. After about 40 minutes he said he would try and work out the best option for Mr M and said he would call him back.

In the second phone call Lloyds could see from the income and expenditure assessment Mr M was over committed. His income wasn't enough to cover his outgoings. Based on that Lloyds said he couldn't set up any repayment agreement. It said the account would be passed to Collections and if his situation changed he could try and make an arrangement with the Collections team. About half way into the call the operator said Mr M should open up another account with Lloyds or any other bank. He said "*everything has to be switched*". He went on to say that if Mr M's situation doesn't change his account will stay with Collections for 65 days and it will then be closed and passed to Recoveries and Lloyds would register a default. But he went on to say he could give Mr M "*a breathing space*". He said he could put Mr M's account on hold for 30 days to 18 March 2018. In the meantime he told Mr M to make alternative banking arrangements. He said "*the sooner the better...by tomorrow...as soon as possible*". And he then said to Mr M "*Switch all income, benefit, standing orders anything linked...can be with Lloyds...can be with any other bank*".

Although I fully appreciate the operator was trying to help him I don't think Mr M would've realised the importance of not using the switching service. Because Lloyds used the word "switch" more than once in the context of moving his account I think it had a responsibility to tell him that if he used the switching service to do this he would lose the opportunity to set up a repayment plan.

On 2 March Mr M phoned Lloyds again in an attempt to come to an arrangement to pay back what he owed. It was a difficult conversation to start with because Mr M didn't understand what the operator was telling him. He then spoke to someone else at length about his financial position. The operator spent a long time trying to help Mr M. But throughout the conversation she made it clear that she couldn't offer him a repayment plan because his "*situation is not affordable*" because he had a "*negative disposable income*". She said "*there's nothing to cut back on*". But she told him Lloyds wouldn't close his account yet. She said she would stop the charges for 30 days and would give him 30 days. Before ending the conversation she asked Mr M to confirm what he thought had been agreed. He said "*you've given me 30 days to rearrange my finances*". She confirmed that was right and said the bank wasn't closing his account yet. She asked him to call the bank as soon as possible with any further information about his financial situation and to see if it could agree a repayment plan. And she reminded him he still had some direct debits on his account.

From listening to those phone calls I can hear how desperate Mr M was to try and come to some agreement so Lloyds wouldn't default his account. So I can appreciate that when Lloyds told him it couldn't make such an agreement because he'd used the switching service

which closed his account and made the full balance repayable, I can understand how upset he was. And for the reasons I've given I think Lloyds was wrong not to warn him about the implications of switching his account. It's very clear to me that if he'd known that this would've prevented him from coming to any agreement with Lloyds he would've found another way of moving his account. So I need to decide what Lloyds should do to put that right.

I've considered whether Lloyds should keep his account open and give Mr M the opportunity to try to agree a repayment plan to stop his account being passed to Recoveries but I can't see this will make any difference to his situation. On 19 February and 2 March Lloyds couldn't agree a repayment plan with him based on his income and expenditure. Mr M was confident his situation would change in the future but the bank was only prepared to give him 30 days. I'm aware he said he'd moved his finances around but having listened to the bank's assessment of his income and expenditure in both the phone calls I've mentioned I don't think this would've been enough to satisfy the bank that any repayment plan would be affordable. And the bank said it could only provide short term assistance while his account was in Collections. So I think his account would've been passed to Recoveries at the end of the 30 days. And in any event if a repayment plan could've been agreed, and as I've already said on balance I don't think this is likely, it would've been shown on Mr M's credit record. And it would've affected any future borrowing in much the same way as a default.

But I do think Lloyds should pay Mr M for the distress it's caused him. It's clear from listening to the phone calls Mr M was reassured and relieved that Lloyds Bank had given him another 30 days from 2 March 2018. So I can appreciate the impact on him when it told him it'd closed the account and was passing it to Recoveries well before the end of those 30 days. In those circumstances I think it would be fair and reasonable for Lloyds to pay Mr M £250 compensation.

### **responses to my provisional decision and my further findings**

Lloyds disagreed with my provisional decision. It said Mr M's new account provider was responsible for explaining the implications of a full switch and the differences between that and a partial switch. And it said it only passed to Recoveries on 10 August 2018. So Mr M had five months to repay the debt to avoid a default. And it said he would've been provided with 30 days from the date of the switch on 14 March 2018 as a grace period to repay the outstanding balance.

But the point is that from the phone calls Mr M was expecting to be able to make a repayment plan. As I've said he was desperate to do so. He didn't think he would be suddenly faced with the position that he had to repay the whole of the outstanding balance. That is why I think the failure of Lloyds to make the switching implications clear in the phone call in February 2018 had such an impact on him.

In its response Lloyds went onto to say that by using the switch process Mr M was "*able to have seamless banking with a new provider*". That may well be the case but it doesn't lessen the impact on Mr M of the failure to tell him of the implications of using the process while he still thought he had the opportunity to make a repayment arrangement.

To be clear I'm not awarding the compensation for Mr M "*being informed the account was being closed and passed to Recoveries before the end of the 30 days discussed in the call of 2 March*" as Lloyds said in its response. My decision is based on the lack of information provided in the phone call of 19 February 2018 when Mr M was told to switch his account.

And I've given reasons why I thought Lloyds had an obligation to explain this rather than rely on the new provider. And in coming to the level of the award I've made, I've assessed the impact this had on Mr M when Lloyds then told him it wasn't able to discuss a repayment plan because he'd switched his account.

Mr M has clearly had difficulties with his finances. And, like all lenders, Lloyds is required to respond positively and sympathetically to its customers in such circumstances. It might have handled the issues arising from the account switch better. But it's difficult to see there were many other options open to Mr M or the bank.

Mr M responded to my provisional decision and said Lloyds had now put a default marker on his credit record which is preventing him from applying for jobs within the financial sector. He wants Lloyds to remove the marker and discuss a repayment plan with him. But that's not something I can do. Lloyds has an obligation to give an accurate account history to the credit reference agencies. And for the reasons I've given above I don't think Lloyds was wrong to default the account.

I'm sorry to hear this situation is impacting on Mr M's future employment prospects. As he tries to sort out his financial difficulties, I expect Lloyds to continue to help him positively and sympathetically. And it may be Mr M would benefit from contacting a not-for-profit debt service to review his position. The investigator will be happy to provide details of such organisations to him if he thinks that would be helpful.

#### **my final decision**

My decision is that I uphold this complaint.

In full and final settlement Lloyds Bank PLC should pay Mr M £250 for the distress and inconvenience it's caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 December 2018.

Linda Freestone  
**ombudsman**