

## **complaint**

Mr G complains that Lloyds Bank PLC wrongly applied a default to his current account and he wants it removed.

## **background**

Our adjudicator did not recommend that this complaint be upheld. Lloyds had refunded three payments with interest to Mr G's account, and paid £100 compensation, but despite this the account remained £1,800 overdrawn and so the default was correctly applied. Mr G disagreed as he believed the account was defaulted due to these payments.

## **my findings**

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

Mr G held a current account with Lloyds. In October 2013, three payments of approximately £200 left his account, leaving it over £2,000 overdrawn. There was no further activity on the account, and in March 2014, Lloyds closed the account and applied a default. Mr G complained to Lloyds in October 2014 about the last three payments made from his account, as he had cancelled the continuous payment authority. Lloyds accepted that these payments should not have been made and refunded them with 8% interest. It also paid Mr G £100.00 in compensation. But it advised the default would remain as the balance of approximately £1,800 had not been paid.

Mr G did not agree that the account should be defaulted, as it was his view that this was due to the three payments which Lloyds had refunded. Mr G believed Lloyds was incorrect to apply a default.

Lloyds says that the default was applied as the balance of the overdraft was not reduced or paid back when requested. It says it was unable to come to an arrangement with Mr G through its collections department for repayment of the debt. It says that it knew that Mr G was in financial difficulty, so it defaulted the account to prevent further charges being incurred.

The notes from Lloyds' collections department prior to the account being defaulted record that Mr G was considering applying for a debt relief order or for his bankruptcy. Also that at this time Lloyds waived several charges which were being applied to the debt. It had also contacted Mr G on several occasions to discuss the debt. As no further payments were made, and no payment plan agreed to pay off the remaining debt, Lloyds applied a default. The debt was then passed to a debt collection agency to deal with.

I cannot find that the business has been unfair or unreasonable. The default was applied as the overdraft was not paid back when requested, and a payment plan was not agreed. It was not applied solely due to the three payments which have now been refunded. As a result, I am unable to require that Lloyds should remove the default.

I note that Mr G was unhappy that Lloyds did not inform the debt collection agencies that this service was looking into his complaint and it continued to write to him regarding the outstanding debt. Although this must have been frustrating the actual debt was not in dispute, rather the application of the default. So Lloyds has not acted wrongly by not asking

the debt collection agencies to stop contacting Mr G. I appreciate that Mr G will be disappointed with my decision.

**my final decision**

Under the rules of the Financial Ombudsman Service, I am required to ask Mr G to accept or reject my decision before 3 July 2015.

Janine Allen  
**ombudsman**