

## **Complaint**

Mr R has complained about the changes that Lloyds Bank PLC (“Lloyds”) made to its overdraft pricing structure.

## **Background**

In the summer of 2017, Lloyds announced it would be changing its overdraft pricing structure in November 2017. It was moving from a pricing model which charged a fixed fee per day for borrowing within a certain limit to one where it would charge 1p a day for every £7 borrowed.

Mr R complained to Lloyds before these changes came in. He was unhappy his overdraft would cost more to use and he said this increase was not commensurate with the fall in Bank of England’s base rate. Lloyds didn’t uphold Mr R’s complaint. It said it was entitled to change its pricing structure and while this meant some customers might end up paying more, it had transitional arrangements in place to mitigate this. Mr R remained dissatisfied and referred his complaint to our service.

One of our adjudicators looked into Mr R’s concerns. She didn’t think Lloyds had done anything wrong or treated Mr R unfairly and so didn’t recommend the complaint be upheld. Mr R disagreed and so the complaint was passed to an ombudsman for a final decision.

## **My findings**

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

Having carefully considered everything provided, I’ve decided not to uphold Mr R’s complaint. I’ll explain why I’ve done so in a little more detail.

Before I go any further, I want to be clear in saying that a bank’s decision to alter its overdraft pricing structure and the associated rates it sets are commercial decisions. So while Mr R is unhappy at the increase in Lloyds’ overdraft interest rate because he thinks it isn’t reflective of the Bank of England’s base rate, which has reduced, I’m afraid that this isn’t something for me to get involved with.

That said, while I’m not looking at Lloyds’ charging structure changes per se, it won’t have acted fairly and reasonably towards Mr R if it implemented these changes unfairly. So I’ve considered whether Lloyds treated Mr R fairly and reasonably when it implemented these changes on his overdraft.

I don’t think that Lloyds did treat Mr R unfairly here though. I say this because Mr R immediately realised that the new pricing structure meant he’d pay more when using his overdraft. And he contacted Lloyds to arrange a repayment plan. Lloyds carried out an income and expenditure and found that Mr R didn’t have sufficient funds to be able to make the payments he wanted to. So it wanted to move Mr R’s account to collections so that it could arrange a sustainable repayment plan. As Mr R refused this, Lloyds agreed not to apply any charges for a period in order to review his options.

I’ve seen that not too long afterwards Mr R was able to obtain funds from elsewhere to completely clear his overdraft. So this suggests Mr R wasn’t a potential ‘overdraft prisoner’ – in other words, he wasn’t locked into accepting the increased charges due to having an

existing balance he was unable to make inroads into - because he accessed funds from elsewhere and significantly reduced what he owed. I also think that Mr R was able to do this because of the breathing space Lloyds' delays in applying the increased fees afforded him.

Therefore, bearing in mind all of the circumstances, I don't think that Lloyds did anything wrong when changing its overdraft pricing structure and I don't think that it treated Mr R unfairly when implementing the changes on his overdraft either. So it follows that I'm not upholding this complaint.

### **My final decision**

For the reasons I've explained, I'm not upholding Mr R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 23 April 2021.

Jeshen Narayanan  
**Ombudsman**