

The complaint

Mr W and Mrs W are unhappy that Lloyds Bank PLC declined their account application.

What happened

Mr W had a bank account with Lloyds in his sole name which had fallen dormant. Mr W reactivated his Lloyds account and then applied to convert the account to a joint account and to add Mrs W to it. But Lloyds declined Mr W and Mrs W's application and advised them to check their respective credit reports.

Mr W and Mrs W checked their credit reports and noticed some discrepancies, which they corrected. They then applied to add Mrs W to the account again, but again Lloyds declined their application. Mr W and Mrs W weren't happy about this, so they raised a complaint. Lloyds responded to Mr W and Mrs W and explained that their application hadn't met their requirements. Lloyds also gave Mr W and Mrs W some general information on how their application scoring system worked. Mr W and Mrs W weren't satisfied with Lloyds' response, so they referred their complaint to this service.

One of our investigators looked at this complaint. After liaising with Lloyds, they learned that Mr W and Mrs W's application had been declined based on affordability concerns.

Our investigator didn't feel Lloyds had acted unfairly by declining the application on that basis. But they did feel that Lloyds had caused Mr W and Mrs W a degree of trouble and frustration they shouldn't reasonably have incurred by not providing this information to them sooner, and they said that Lloyds should pay £100 compensation to Mr W and Mrs W because of this. Additionally, our investigator felt that Lloyds should remove the credit search pertaining to the second application from Mr W and Mrs W's credit reporting.

Lloyds accepted the recommendations put forwards by our investigator. But Mr W and Mrs W remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

What I've decided – and why

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

I issued a provisional decision on this complaint on 2 January 2024 as follows:

I'd like to begin by confirming that this service isn't a regulatory body or a Court of Law and doesn't operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

Upon review, I feel this complaint could most likely have been avoided if Lloyds had provided a better standard of service to Mr W and Mrs W in the first instance – specifically, if Lloyds

had clearly advised Mr W and Mrs W when they first asked about it, that their application had been rejected because of affordability concerns pertaining to the overdraft facility on the account and to Mr W and Mrs W's lack of regular income.

Mr W and Mrs W have expressed their frustration about this point to this service, and they note that they were specifically told by the Lloyds advisor they conducted the applications with that their status as retirees with no regular income wouldn't have an adverse impact on the application. And Mr W and Mrs W also note that they asked for the overdraft facility on the account to be removed, but that the advisor suggested to them that they leave the existing minimal overdraft facility in place as a safety net, given that it wouldn't be of any disadvantage to them.

I find the testimony of Mr W and Mrs W to be persuasive here, and I feel it's more likely than not that events did take place as Mr W and Mrs W describe. And, accepting Mr W and Mrs W's testimony, I feel that they did receive a poor standard of service from the Lloyds' agent they met with, who appears to have given assurances to them which weren't correct. And Lloyds agent also appears to have missed the opportunity to submit a more favourable application for Mr W and Mrs W by either removing the overdraft facility or obtaining further information about the comfortable financial position that Mr W and Mrs W were in.

Furthermore, Lloyds appear to have then compounded their initial errors by not providing clear information to Mr W and Mrs W as to why their applications had been declined. Indeed, rather than confirming to Mr W and Mrs W at the time of the first decline that Lloyds held affordability concerns, their advisor simply gave them a generic leaflet about credit scoring and suggested that they review their credit files – even though Lloyds held no concerns about any of the information contained on Mr W and Mrs W's credit files.

Lloyds then missed several further opportunities to accurately explain what had happened to Mr W and Mrs W, including in their response to Mr W and Mrs W's complaint, which again provided generic information and didn't address the specific reason that Mr W and Mrs W's applications had been declined. And it must also be noted that Lloyds also initially explained to this service that a specific reason for the declining of Mr W and Mrs W's applications couldn't be provided, and that it was only through the diligence and insistence of our investigator that the actual reason for the applications being declined was brought to light.

By any reasonable standard, I feel that this cascade of mistakes and misinformation can only be considered as being poor service. So, I can therefore understand Mr W and Mrs W's ongoing frustration at being on the receiving end of it, and I'm in agreement with them that the £100 compensation recommended by our investigator doesn't go far enough to fairly recompense them for the impact of what's happened here.

Accordingly, my provisional decision is that I uphold this complaint in Mr W and Mrs W's favour and that Lloyds must make an increased compensation payment of £300 to them, which I feel is more fairly reflective of what's taken place.

In arriving at this position, I've considered the impact of the events in question on Mr W and Mrs W, as well as the several opportunities to resolve this situation sooner that Lloyds missed. And I've also considered the general framework which this service uses when assessing compensation amounts – details of which are on this service's website.

Finally, my provisional instructions to Lloyds also include that they must remove the credit searches for both applications from Mr W and Mrs W's credit files, so that no evidence of these applications remains.

Lloyds have already agreed to remove the searches for the second application but felt that

those for the first application should remain. However, because I feel that their agent missed the opportunity to submit a more favourable application for Mr W and Mrs W in the first instance, I feel that the credit searches for the first application should fairly be removed also.

Lloyds responded to my provisional decision and confirmed that they were happy to accept it. However, Mr W and Mrs W asked me to consider some further points before I moved to issue a final decision.

Firstly, Mr W and Mrs W questioned the accuracy of my statement that Lloyds provided some general information on how their application scoring system worked in their initial response to their complaint and noted that they didn't receive the specific reason their application had been declined until it was obtained from Lloyds by this service.

However, my statement wasn't referring to the specific reason Mr W and Mrs W's application was declined. And it's evident from Lloyds initial response to Mr W and Mrs W's complaint, dated 15 June 2023, that they did provide some generic – although largely irrelevant – information about how their application scoring system worked.

Mr W and Mrs W also questioned whether Lloyds were being honest about the reason they now give as to why their application was rejected, specifically, that it was rejected on the grounds of affordability concerns. However, I'm satisfied from the submissions that Lloyds have presented to this service that this was the reason Mr W and Mrs W's application was declined, and as such I consider this aspect of Mr W and Mrs W's complaint to be resolved.

All of which means that I see no reason not to issue a final decision upholding this complaint in Mr W and Mrs W's favour on the basis described in my provisional decision letter. And I therefore confirm that I do uphold this complaint on that basis accordingly.

Putting things right

Lloyds must make a payment of £300 to Mr W and Mrs W.

Lloyds must also remove all credit searches pertaining to both applications from Mr W and Mrs W's credit files.

My final decision

My final decision is that I uphold this complaint against Lloyds Bank PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 1 February 2024.

Paul Cooper
Ombudsman