

## **The complaint**

Mr S complains that his bank, Lloyds Bank PLC, unfairly closed his bank account with inadequate notice and failed on its agreement to remove late payment markers from all relevant credit files.

## **What happened**

Lloyds closed Mr S's account when his regular payment towards the arrears wasn't made. It said this was in breach of its agreement with Mr S from April 2019 to pay off an overdraft, as explained in its arrangement letter. Mr S then paid the outstanding balance by other means.

Mr S said Lloyds' demand for payment of the £1,390 he owed at short notice was unfair and possibly a breach of the regulations. He knew an overdraft can be cancelled, but in January 2020 his bank account was closed immediately, though it wasn't in arrears and has since been paid off. Mr S said the account closure was unfair and in breach of the terms and conditions as he didn't receive any warning letters from Lloyds until the account was settled.

Lloyds upheld Mr S's complaint saying that his account had been closed in error and he'd been told as long as he repaid his unarranged overdraft the account would remain open. Lloyds said it was arranging for his credit file to reflect the account has been settled and closed. Lloyds apologised and paid Mr S compensation.

Mr S said the late payment markers, which Lloyds had previously agreed to remove, weren't removed from all credit reference agencies, affecting his credit applications up until July 2021. Mr S brought his further complaint to Lloyds. Lloyds said it sent the amendments to his credit file in November 2020 as previously notified to him. It said it hadn't demanded immediate payment of the debt but noted that Mr S had chosen to clear the account.

Mr S was dissatisfied with Lloyds' response and referred his complaint to our service. He said Lloyds should compensate him for the problems and upset caused, including heartache, loss of his house, and loss of earnings because of the impact on his health. Mr S would like a refund of £1,390 he paid, and the fees incurred. Mr S wants Lloyds correct his credit file as originally promised by the bank.

Our investigator recommended the complaint be upheld. He said Lloyds had agreed to write to the credit reference agencies to amend Mr S's credit file. He said Lloyds' payment of £225 compensation was fair for the poor service it had provided to Mr S. He later added that comments from Lloyds' staff about Mr S were unprofessional and caused him upset and Lloyds should pay Mr S further compensation of £200.

Mr S wasn't satisfied with the investigator response to his complaint, and he requested an ombudsman review his complaint. He said compensation should be at a higher rate for the time Lloyds took to correct his credit file.

Lloyds also disagreed with the investigator. It said the recording of its call with Mr S should be addressed by the Information Commissioner's Office and as this was part of Lloyds' complaint handling wasn't an issue within our service's jurisdiction.

## **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.

Our service has considered other complaints from Mr S about his bank account with Lloyds, specifically concerning bank charges, interest and other businesses. The present complaint concerns the closure of the account by Lloyds and late payment markers.

I have looked at the communication from Lloyds about the account closure. The terms and conditions of the account state that Lloyds will provide 60 days' notice of the impending closure of an account to the customer. Mr S said this wasn't provided, but I have seen from Lloyds records that he was given notice as part of a formal demand for repayment in January 2020. And so I think Lloyds did communicate with Mr S about his account in accordance with the terms and conditions.

Lloyds closed Mr S's account following an income and expenditure examination of his financial situation. This is the check we expect lenders to carry out when considering the future arrangements for debt repayment. I think it was reasonable for Lloyds to close the account due to the outcome of the income and expenditure exercise and how long it would take Mr S to clear the balance. And from Mr S's own comment that he couldn't afford his overdraft.

The expenditure exercise conducted by Lloyds showed that Mr S had a very limited ability to repay what was owed, and so by closing his account the inevitable further charges and interest were avoided. I don't think Lloyds' decision to start the default process was unreasonable given the amount needed to repay, against the amount being repaid each month. I'm pleased to see that Mr S was able to repay the account and open an account elsewhere, minimising the impact of the closure. However, I can see at the time he had difficulty in opening another account.

Mr S said he felt the debt had to be cleared in full by 11 January 2020 and this caused him great pressure and he felt blackmailed to do this. When the terms of the arrangement weren't followed by Mr S Lloyds requested full repayment of the balance. As an alternative Lloyds suggested Mr S call and discuss his situation and make an income and expenditure check. Its letter gave details of debt advice services. I haven't seen any evidence that Mr S was placed under duress to repay the account, but I can understand his feeling that this would be desirable.

From the records I have seen I'm satisfied that Lloyds had previously requested Mr S's credit report be amended after it accepted some late payment markers were applied to his credit file incorrectly. However, it appears that Lloyds only corrected Mr S's credit file in part at the time of his previous complaint in 2020.

Mr S said he found the language used between Lloyds' staff to describe him unpleasant. The call in question between Mr S and Lloyds involves questions about Lloyds' actions towards his credit file, which he thought was uncorrected. As such, the call involves a regulated activity (the credit reference), and the comments are viewed as ancillary to this activity. It follows that this is something we can consider.

This call took place against the background of a stressful and worrying time for Mr S as he sought information about his credit status. I've listened to the call and the remarks about his complaint that passed between Lloyds' staff were unnecessary and seem unprofessional. I've thought about compensation applicable to this call, the length of time it took Lloyds to

correct Mr S's credit file and some confused communications to Mr S about how and when the account would close as well as when his overdraft facility would be withdrawn.

### **Putting things right**

Having considered the complaint overall, I agree with the investigator that the further compensation of £200 he recommended Lloyds pay is a fair reflection of the distress and inconvenience this has caused Mr S. I have found that Lloyds' new proposal to re-request amendments to Mr S's credit file was fair.

### **My final decision**

For the reasons I have given it is my final decision that the complaint is upheld. I require Lloyds Bank PLC to pay Mr S further compensation of £200 for his distress and inconvenience, as recommended by the investigator.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 August 2023.

Andrew Fraser  
**Ombudsman**