

The complaint

Mr M complains about the incorrect information provided by Lloyds Bank PLC ("Lloyds") following a salary payment being recovered from his account. Mr M says this has had a significant impact on him and his family's health and wellbeing both financially and mentally and doesn't believe the level of compensation Lloyds has paid is enough.

What happened

Mr M held an account with Lloyds where he had his salary paid into. Mr M's employer was going into administration and advised Mr M of this on 30 May. Mr M says following this he discovered several of his colleagues had had their salaries deducted from their bank accounts without their consent. Lloyds received a notification from the third party payment service provider the same day that a file reversal was going to take place due to Mr M's employer's status and the late notification of this.

On 31 May a salary payment of around £4,000 was credited Mr M's account, this was then debited from his account the following day when the file reversal was actioned. To try and circumvent the recall of his salary Mr M moved £3,200 out of his account before his salary payment was recalled. The recovery of this salary payment resulted in Mr M's account going into unauthorised overdraft.

Mr M spent some time on the phone with Lloyds about this and was provided with incorrect information about recovery of the payment and among other things being able to make a direct debit indemnity claim. The false assurances left Mr M feeling confused about whether his salary payment could be recalled and further distressed when he discovered it could and nothing could be done about it.

Mr M complained to Lloyds that his salary had been recalled and the service he had received regarding this. Lloyds didn't uphold his complaint regarding the recall of the funds as it said no error had been made on its part and that it had no involvement or control over this type of recall. But it agreed that at points it had provided Mr M with poor service, having calls cut off and providing him with incorrect and misleading advice – in particular that once a credit had reached his account it couldn't be taken back. Lloyds credited Mr M's account with £90 then a further £200 for the distress and inconvenience this caused. Lloyds also stopped any overdraft fees being applied to his account until 10 July 2023.

Mr M was unhappy with this and brought his complaint to this service.

Mr M says Lloyds should've blocked the recovery of his salary payment and as a result of what happened:

- He felt compelled to close his and other family accounts with Lloyds as he was concerned future credits from the account may be liable to be recovered again;
- The impact all this has had on his credit score meant he was unable to obtain credit cards or loans for the days his account was in unplanned overdraft;
- He lost hours in dealing with the issue when he could've spent the time searching for

a job.

One of our investigators looked into Mr M's concerns but didn't think Lloyds had made an error in allowing the recovery of the payment. But they agreed that Lloyds had provided incorrect advice regarding the recovery of the payment and its attempts to get the payment back under the direct debit indemnity scheme was also wrong, but reached the conclusion that the compensation Lloyds had offered was fair for its part in what happened and they didn't think it would be fair to ask Lloyds to compensate Mr M for events that may or may not have happened and that were outside of its control.

Mr M disagreed, he believes there has been a significant gap in understanding the depth of the difficulties he's faced due to Lloyds actions. He doesn't believe the compensation offer of £290 for distress, emotional strain and adverse effects on his family is enough and knows of others who have received more compensation in similar circumstances and has asked for an ombudsman's 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.

Firstly, I hope Mr M won't take it as a discourtesy that I've summarised his complaint in the way that I have, ours is an informal dispute resolution service and I've concentrated on what I consider to be the crux of the complaint – the impact the recovery of the payment of his salary has had on him and his family both financially and emotionally. Our rules allow me to do that.

I also want to emphasise that I've considered Mr M's complaint on its own merits and my decision is based solely on this and what part Lloyds contributed to Mr M's problems and what I consider a fair and reasonable outcome for him and Lloyds.

Our investigator has already explained that Lloyds allowing the recall of the payment for around £4,000 was not an error on its part – it was an action taken by a third party following notification that this was going to happen and the reasons why, to both Mr M and Lloyds and was not something Lloyds had any control over. So I don't think Lloyds made a mistake here or treated Mr M unfairly and I don't think there is anything much more of use I can add.

Because the recovery of the payment resulted in Mr M's account going into unauthorised overdraft Mr M says this has negatively impacted his credit score and he was unable to obtain credit cards, loans and other financial products for a period of time. But again, as the recovery wasn't a mistake or error on Lloyds part, I can't say that Lloyds is at fault here or for reporting the status of his account to the credit reference agencies it subscribes to – as banks have a duty to report factually accurate information on its customers affairs.

Also, as I understand it Mr M contributed to his account going into this unauthorised position by transferring £3,200 out of his account with the knowledge that his salary was going to be recalled.

Mr M has also told us that at the time he was in significant debt and unable to meet his family's basic needs – so bearing this in mind I think its likely it wasn't just Mr M's account with Lloyds that was negatively impacting his credit score.

Mr M says that he felt compelled to close all accounts with Lloyds as he was concerned that future payments could also be subject to recovery. But this was his decision to make and as I understand it the same thing could happen at other banks faced with the same circumstances – indeed, Mr M has told us that others also had their salaries deducted from

their bank accounts without their consent.

Lloyds have already accepted it made a mistake in the information provided to Mr M regarding the recall of his salary and have paid Mr M £290 compensation. So what I need to consider is whether this is enough for the distress and inconvenience Mr M says he suffered. And I think it is. I appreciate Mr M says he spent a significant amount of time on the phone to Lloyds following up on the recovery of his salary when he could've been searching for a job. And I don't doubt he was focused on the recovery of his salary – it was a significant amount.

But I think the £290 is fair compensation for the time Mr M spent chasing this up. Ultimately, Mr M's position financially was going to be the same regardless of the advice Lloyds gave – because Lloyds wasn't able to stop the recall or reverse it. And although Lloyds did provide incorrect information around this, this wasn't the start or cause of Mr M's main complaint point – being the recall of his salary from his account.

I sympathise with Mr M and the difficult financial circumstances he has found himself in. But this was not due to Lloyds actions or within its control and wasn't as a direct result of a mistake made by Lloyds. So I think the £290 paid by Lloyds for its part in providing incorrect information is a fair offer as I'm not persuaded the detriment Mr M has suffered was mainly due Lloyds errors.

So this being the case, I think the compensation already paid by Lloyds is fair and I'm not going to ask it to do anything more.

My final decision

For the reasons I've explained, I've decided that the £290 compensation paid by Lloyds Bank PLC to Mr M is a fair way to settle his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 9 January 2024.

Caroline Davies
Ombudsman