

The complaint

Mr K complains that Lloyds Bank PLC allowed a transaction to go through his account after it had been closed putting him into an unarranged overdraft. He says Lloyds then didn't provide the service it should have, and his credit file was affected for an extended period. He says this resulted in him putting his visa application on hold and potentially jeopardising his employment prospects as well as meaning he was declined for other finance. He says this issue has caused him significant stress.

What happened

Mr K says that in March 2023 he switched his current accounts from Lloyds to another finance provider. This was successfully completed but he then received text messages saying he owed Lloyds £19.39 in an unarranged overdraft. He visited his branch to resolve the issue and after about an hour was told the switch had been successful and he didn't owe anything. Mr K says he asked for confirmation that his credit file wouldn't be affected by this issue as he was about to start a visa application to work overseas. He says he was assured he didn't need to do anything more and that he should ignore any messages regarding this as his account had been closed.

In June 2023, Mr K checked his credit file and saw that his credit score had fallen significantly due to Lloyds claiming his account was still open and recording late payments. Mr K visited a branch to raise a complaint and says he was told he would be contacted the next day, but this didn't happen. Mr K returned to the branch and his complaint was logged but again he wasn't then contacted as he was told and so he had to visit the branch again. He says as the issue wasn't resolved by the end of the month his credit score was affected and he put his visa application on hold. Mr K was then contacted by the complaints team and assured that the credit reference agencies had been contacted and so his credit score would return to where it was before this mistake was made.

Mr K says his credit score has been severely damaged, affecting his ability to get an overdraft, loan or financing. And that he had to put his visa application on hold jeopardising his employment prospects. He says this issue has caused him a significant amount of distress and he doesn't accept that the £250 paid by Lloyds is enough compensation for this.

In its final response letter dated 6 July 2023, Lloyds accepted it had made a mistake by allowing a transaction to go through on Mr K's closed account. Because of this it paid him £19.39 for the outstanding balance owed on the overdraft and paid him £250 compensation for the distress and inconvenience he had been caused. It also said that it would remove any late payment markers arising from this issue from Mr K's credit file.

Mr K wasn't satisfied with Lloyds' response and referred his complaint to this service.

Our investigator noted that the late payment markers added to Mr K's credit file weren't the only piece of adverse information as Mr K had four defaulted accounts and had taken on more credit in the six months prior to August 2023. She noted Mr K's comment about pausing his visa application due to his credit score but as she didn't think that Lloyds was solely responsible for the issues with Mr K's credit score, she didn't hold it responsible for

Mr K's decision to put his application on hold or any impact arising from this. She said she hadn't seen copies of the finance applications Mr K said he had declined and so couldn't say this was solely because of the information recorded by Lloyds on his credit report. She noted that Mr K had needed to visit a branch on several occasions to try to resolve this issue and that it had caused him distress and inconvenience, but she thought the actions taken by Lloyds in response to this complaint were reasonable.

Mr K didn't agree with our investigator's view. He said that £250 wasn't enough compensation for a serious banking error which affected his credit file for months and for the incorrect information he was provided with by the manager in branch and the late payment markers being reapplied to his credit file despite this being monitored. He said the defaulted accounts our investigator referred to were settled in August 2019 and his credit score had been increasing since then and he said that he had been told the late payment markers applied by Lloyds would have had a considerable impact on his credit score. Mr K says he wasn't told that the late payment markers could be re-applied and instead he had to contact Lloyds again about this issue to get the markers removed again.

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.

In this case Lloyds made a mistake by allowing a transaction to go through Mr K's account after it had been closed through the switching process. It didn't provide the service it should have when Mr K asked about this issue in branch and then also failed to deliver the service we would expect in response to Mr K's concerns about his credit file.

When a bank has made a mistake, we would expect the customer to be put back in the position they would have been had the mistake not been made. And, where appropriate we will award compensation.

Lloyds received Mr K's switch request on 28 February 2023 and its switch team confirmed the switch date of 8 March. However, on 11 March a transaction left Mr K's Lloyds account. Lloyds accepted that this shouldn't have happened and has refunded Mr K the transaction amount. While this resolves the issue in regard to the amount paid, because the transaction went through Mr K's account after his balance had been transferred, the transaction caused his account to go into an unarranged overdraft. Because of this the account remained open and adverse information was recorded on Mr K's credit file.

Mr K's credit file was amended in July 2023, but the late payment markers were reapplied and so Mr K had to contact Lloyds again. The markers were removed in August 2023, and I have nothing to suggest they have been reapplied after this. Therefore, I find that Mr K's credit file has been amended to reflect the situation had the mistake with the payment not been made.

As Mr K has been put back in the position he would have been had the mistake with the payment not been made, the outstanding issue relates to the amount of compensation that is reasonable given the issue that arose, the service Mr K received and the impact this has had.

Mr K said he received a text from Lloyds saying his account was in an unarranged overdraft after the account switch had been completed. He visited a branch to find out what had happened and was incorrectly told that his account had been closed and he didn't owe Lloyds any money. Mr K says he was told to ignore any further messages about this. Given this I can understand why Mr K thought everything was fine with his account at that time.

Unfortunately, the information he was given was incorrect.

Mr K checked his credit file in June 2023 and discovered that his credit score had fallen significantly. I accept that his credit score had been affected prior to this date as a result of the March transaction but it was only at this point that this issue was identified and started to cause Mr K concern.

Mr K obtained a copy of his credit report, and this showed that Lloyds had kept his account open and recorded late payments. Mr K went into a branch to try to resolve this and was told that he would be called the next day and a complaint logged. This didn't happen and Mr K had to visit the branch again. His complaint was raised, and he was told he would be contacted within 48 hours. This didn't happen and Mr K went into the branch for a third time. I do not find that this was the service that Mr K should have received, and I agree that he should be compensated for the lack of call backs and his need to visit the bank on three occasions to get this issue addressed.

Mr K's main concern was that his credit file had been affected by the late payment markers. A call was made at the end of June by the branch manager to try to get the markers removed before the end of the month, but this wasn't possible. Lloyds called Mr K on 6 July and confirmed that a message had been sent to the credit reference agencies the day before to confirm that the adverse information should be deleted immediately. The Lloyds adviser said he would monitor Mr K's account to make sure nothing else went on and he said that if Mr K saw any other issues, he should make contact. Mr K was asked if he had repaid the amount of the unarranged overdraft and he confirmed he hadn't but would do so that day. He was told the importance of this, and I can see that he repaid this on 10 July. Unfortunately, Mr K had to contact Lloyds again in August as the adverse information was still on his credit file. Lloyds has explained that although the information was removed in July as agreed, it was reapplied and had to be removed again in August.

Mr K has said that the adverse information Lloyds recorded in his credit file meant he was declined for other finance applications and had to get high-cost loans. I have looked at Mr K's credit file from August 2023 and can see that he had four defaulted accounts listed. I note his comments that these were settled in 2019, but his credit file shows the defaults recorded in 2019 and 2020 and settled between February 2020 and February 2022. While these accounts were settled, I cannot say that they wouldn't have had any impact on future lending decisions. Therefore, while I can see that Mr K took out loans while the issue with the late payment was ongoing, I haven't been provided with evidence to say for certain that he wasn't able to access other finance at that time due to the late payment markers. Without this I cannot say that this issue has caused Mr K a financial loss.

Mr K has said he delayed his application for a visa. While I note his comments, this was his decision and the late payment markers weren't the only adverse information recorded on his credit file. I appreciate he was working with an overseas company and he was considering applying for a visa to move overseas to take on further work but I cannot say for certain that this issue prevented him from making his application nor can I ask Lloyds to refund him for potential earnings that he may have received had he made a successful visa application at that time.

Having considered all of the issues raised in this complaint, I find that compensation should be paid for the incorrect information given to Mr K when he first visited the branch to discuss the text he had received, as well as for the further visits he needed to make when he identified the issue was ongoing and the agreed call backs weren't made.

Lloyds paid Mr K £250 in July 2023 because of these issues. It also said that Mr K's account would be monitored over the following month to ensure no further late payments were

reported. This information was also given to him on the July call. Therefore, while I understand that Mr K made a further call in August due to the markers still being on his credit file, it was confirmed to him that they had been removed in line with what had been agreed but these had been reapplied. He was then told that a request had been made for these to be removed. I cannot say whether Mr K not repaying the unarranged overdraft amount until 10 July had an impact on the reapplication of the credit markers but putting that aside, while I appreciate that seeing the markers on his credit file in August was concerning to Mr K, I find that Lloyds had said his account would be monitored and took prompt action to deal with the re-application.

Taking all of this into account, I find the compensation paid of £250 (alongside the other actions taken) is a reasonable resolution to this complaint.

My final decision

My final decision is that I do not require Lloyds Bank PLC to do anything further in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 December 2023.

Jane Archer
Ombudsman