

## The complaint

Mrs C complains that Lloyds Bank PLC (“Lloyds”) failed to warn her that her account had gone into unarranged overdraft due to her son making unauthorised payments from his tablet. She is unhappy that this has had a negative impact on her credit file.

## What happened

Mrs C held a bank account with Lloyds. Although the account didn’t come with an arranged overdraft facility the terms and conditions of the account say that:

*“If you don’t have enough money in your account or available arranged overdraft to make a payment, we may either let you borrow through an unarranged overdraft or refuse to make the payment. Missing payments and using an unarranged overdraft can damage your credit score...”*

In late 2022 Mrs C’s son made several unauthorised payments from his tablet which put Mrs C’s account in unarranged overdraft on 3 January 2023. Lloyds records show that it sent Mrs C a text message about this on the same day advising she had payments due to debit her account which may take her into unarranged overdraft and to please pay cleared funds in for these payments.

Lloyds wrote to Mrs C on 28 January advising about the position of the account and that a payment of £43.72 needed to be made as soon as possible to bring the account out of unarranged overdraft. The letter also advised that her credit score could be affected.

As no payment was received by 8 February Lloyds reported this to the credit reference agencies (“CRAs”).

Mrs C says she didn’t realise her account was in unarranged overdraft until finding out her credit file had been updated to show she had missed payments.

Mrs C complained to Lloyds that it failed to notify her about going into unarranged overdraft and that it would be making a report to the CRAs.

Lloyds didn’t uphold Mrs C’s complaint. It says it had to make a report to the CRAs as it is obliged to give a true reflection of how the account is managed – and in Mrs C’s case her account was in unarranged overdraft for 35 consecutive days. Lloyds did however agree that the service she received when she made her complaint wasn’t good enough and offered her £20 for this failing.

Mrs C was dis-satisfied with this and brought her complaint to this service. She says she never received the letter from Lloyds notifying her about the status of the account and says Lloyds should never have allowed the payments from her son to put her account into unarranged overdraft. She believes it was unfair to report this on her credit file which has resulted in her being unable to transfer her credit card to a more favourable one.

One of our adjudicators looked into Mrs C's concerns but didn't think Lloyds had done anything wrong. From what they'd seen Lloyds had attempted to notify Mrs C about the status of her account and what she needed to do and as Mrs C had failed to respond reported this on her credit file.

Mrs C disagreed, she doesn't believe it fair that her credit history has been damaged because her young son made unauthorised payments from her account. She says this account is a secondary account and not checked very often so didn't notice it was in unarranged overdraft and she never received the letter from Lloyds about this. Mrs C 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.

My role is to look at the problems Mrs C has experienced and see if Lloyds has done anything wrong or treated Mrs C unfairly. If it has, I would seek – if possible - to put Mrs C back in the position she would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

Mrs C's main complaint point is that she didn't know she was in unarranged overdraft and that it is unfair that this has impacted her credit file. She says Lloyds failed to notify her about this and only found out when her credit file was updated.

Firstly, as outlined above the terms and conditions of the account do say if there are insufficient funds in the account to cover payments than Lloyds may agree an unarranged overdraft and that this can negatively impact your credit file.

Allowing a customer to go into unarranged overdraft is one way to ensure that important payments and direct debits aren't missed - such as insurance renewals – and is allowed under the terms and conditions of the account. Lloyds weren't to know that the payments from her son's tablet weren't made by or authorised by her, so I don't think it was unfair that Lloyds allowed the payments to go through.

Lloyds records show it sent Mrs C a text warning her that a direct debit due to leave her account could take her account into unarranged overdraft should she not have cleared funds in the account to meet these payments. This alone should've been enough to prompt Mrs C to check her account. Unfortunately, this didn't happen and Mrs C went into unarranged overdraft and remained this way for 35 days.

I accept that Mrs C may well have not received the text alert, but this is not due to an error on Lloyds's behalf. And even without receiving the text message as I'm sure Mrs C is aware having a bank account comes with responsibilities – one of which is ensuring you have enough money in your account to meet the payments you wish to make. Mrs C was registered for online banking so I would expect that she would be reviewing her statements regularly.

And I don't think that Lloyds made a mistake when it reported the status of her account being in unauthorised overdraft on her credit file as it notified Mrs C this could happen if her account wasn't brought up to date and this was also allowed under the terms and conditions of the account. Mrs C says that she never received Lloyds letter about this. But I can see the letter was correctly addressed to her and I've not been made aware of any postal issues at the time – indeed most post is delivered correctly. So again I can't say Lloyds made a mistake or treated Mrs C unfairly.

I understand that Mrs C is concerned about the impact this has had on her credit file, but Lloyds has a duty to make sure the information it reports on its customers affairs to the CRAs it subscribes to is factually accurate – and I think it's reasonable to assume if you let your account go into unarranged overdraft and you do nothing about it that this will be reflected on your credit file.

It might assist Mrs C to know that she can place a 'Notice of Correction' on her credit record. The purpose of such a notice is to allow someone the opportunity to add any explanatory circumstances that they would like prospective lenders to take into consideration when making lending decisions. If she wishes to do this, she should contact the CRAs directly.

So I don't think Lloyds have done anything wrong or treated Mrs C unfairly. It acted within the terms and conditions of the account and alerted Mrs C to the status of her account when it went into unarranged overdraft.

### **My final decision**

For the reasons I've explained I do not uphold Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 26 December 2023.

Caroline Davies  
**Ombudsman**