

## **Complaint**

Mr G has complained that Lloyds Bank PLC (“Lloyds”) unfairly added fees to his overdrafts after irresponsibly providing them and allowing him to build up balances.

## **Background**

One of our investigators looked at this complaint and thought that what Lloyds had already done – refunding all of the interest, fees and charges added to Mr G’s overdrafts from August 2017 and backdating any adverse information to reflect that this was when action should have been taken – was fair and reasonable in all the circumstances of the complaint.

Mr G disagreed and asked for an ombudsman’s decision.

## **My findings**

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

Having carefully considered everything, I think that what Lloyds has already done to put things right for Mr G is fair and reasonable in all the circumstances of his complaint. I’ll explain why I think this is the case.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we’d expect the business to put the consumer in the position they would be in if that wrong hadn’t taken place. And in an ideal world, we’d tell a business to put a consumer in the position they’d now be in if they hadn’t been given the credit they shouldn’t have.

So where a business increases or continued to allow a consumer to use a credit facility which it should have realised was unsustainable, we’d typically expect it to put the consumer in the position they’d be in now if they hadn’t paid any further interest and charges on that credit. This means we’d normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable. And if those interest and charges were paid also add 8% simple interest per year.

In this case, Mr G has been left with an outstanding balance even though he’s been ‘refunded’ all of the extra interest, fees and charges applied to his accounts from August 2017. And while Mr G has been left with a balance and he might be unhappy with this, Lloyds has done what I’d normally expect a firm in its position to do here.

That said, we do look at each case individually and on its own particular merits. And while we have a general approach to how we might tell a lender to put things right where it continued to provided credit it shouldn’t have (such as here), we can and will tell it to do something different and/or something more if there’s a strong reason to say that’s what would be fair and reasonable to do in the circumstances of that individual case.

Mr G says Lloyds should do something different here. He says that he had his overdrafts for a lot longer than this and he should receive more compensation.

I've thought about what Mr G has said. But we've already explained why we cannot look into what may or may not have happened on his accounts prior to April 2017. As we've, in some detail, explain why we're unable to look into Mr G's concerns prior to this date, I don't propose to offer a repeat in this decision.

Nonetheless, it's worth noting that the rules, guidance and good industry practice in place typically require a bank to review an account on an ongoing basis. And it is generally accepted that a bank should review a customer's overdraft usage on an annual basis. In Mr G's case Lloyds undertook a review of his overdraft usage in August 2017.

Lloyds has identified that it ought reasonably to have taken action in relation to Mr G's overdrafts at this point. And I've already explained that this is why it has compensated Mr G by refunding all of the interest, fees and charges added to Mr G's overdrafts from August 2017 and backdating any adverse information to reflect that this was when action should have been taken.

This is the first review that should have taken place in the period that we can look at. Mr G's accounts wouldn't have been reviewed between April 2017 and August 2017. I don't think that it would be fair and reasonable for me to now say that Lloyds should carry out a retrospective review of Mr G's overdraft usage in April 2017, because Mr G complaining in April 2023 means that we can't look at any reviews which might have taken place in August 2016.

Furthermore, I appreciate that what Mr G is likely to be most unhappy about is still having a balance left to repay as a result of his overdrafts even after his complaint. But, as I've explained, all of the extra interest, fees and charges Lloyds shouldn't have added have been removed from the overdrafts. So what Mr G is left with to repay are the funds which he used and I don't agree that the interest, fees and charges have left him with a debt that he wouldn't otherwise have been left with.

In these circumstances, and bearing in mind Mr G spent them, I think it's fair and reasonable to expect Mr G to repay these funds. And I don't think that Mr G perhaps being unhappy at having a balance to repay is in itself a compelling reason for me to depart from our usual approach here either.

Bearing in mind all of this, I'm satisfied that what Lloyds has already done to put things right for Mr G is fair and reasonable in all the circumstances of his case. I'm therefore not upholding Mr G's complaint or requiring Lloyds to do anything further.

I understand that Mr G has asked for some information to query the value of Lloyds' refund. If he thinks that his outstanding balance might not accurately reflect this refund then he will need to contact Lloyds to discuss this in the first instance.

Additionally, even though I think what Lloyds has already agreed to do is fair and reasonable in the circumstances of this case, I'd nevertheless also like to remind it of its obligation to exercise forbearance should it choose to pursue the outstanding balance from Mr G and it's the case that he is experiencing financial difficulty.

**My final decision**

For the reasons I've explained, I'm satisfied that what Lloyds Bank PLC has already agreed to do to put things right for Mr G is fair and reasonable in the circumstances of his case. I'm therefore not requiring it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 December 2023.

Jeshen Narayanan  
**Ombudsman**