

The complaint

Mr G is a sole trader. He complains that Lloyds Bank Plc treated him unfairly when he asked for assistance during a period of financial difficulty.

What happened

Mr G held a loan account with Lloyds.

Mr G told us:

- In October 2023, he agreed to a three-month temporary repayment plan ('TPP') with Lloyds. This meant that instead of his contractual repayment of around £1,050 he would make a manual payment of £400.
- Lloyds said that its process was to take the contractual repayment as expected, and then return this due to insufficient funds in the account or because it was part of a repayment plan. So Mr G would need to ensure that his account balance was low on the date of the repayment, and then when the repayment was returned, he would then make the smaller repayment manually.
- However, in November he made the £400 payment as agreed but Lloyds also took the direct debit of £1,050. This meant his account was overdrawn and any credits into the account were used to repay the unauthorised overdraft.
- He repeatedly contacted Lloyds for hours at a time and asked for the direct debit payment to be returned. However, it took twelve days for the payment to be returned – despite numerous staff saying that the issue would be resolved in 24 hours due to his vulnerability.
- As a result of Lloyds' actions, he was unable to pay for food or diesel to travel to his job, and the bank also returned his direct debits.
- This caused further financial difficulty and left him exhausted and unable to work. He has been diagnosed with stress as a result of the bank's actions and referred for counselling.

Lloyds told us:

- It agreed its service had been below what Mr G should have received, but it had returned the November contractual repayment to him after twelve days.
- It had apologised to Mr G and refunded him £4 plus 8% simple interest for the overdraft charges he'd incurred as a result of its actions, along with £250 compensation for the distress and inconvenience caused. It also offered to refund any charges incurred as a result of any returned regular payments. So, it thought this was enough to put things right.

- It didn't think it had made an error in taking Mr G's full repayment as this would still have been requested despite the TPP being in place. The full repayment would usually have been returned on the review date, which in this case was after the payment had already been returned to Mr G. However, the repayment should have 'bounced' as there were insufficient funds in the account to cover it.

Our investigator recommended the complaint be upheld. He thought that Lloyds had made an error by taking a loan payment when it wasn't planned, and then not returning it. However, he thought the main error was that Lloyds knew Mr G was in a financially vulnerable position and had taken too long to return the loan payment, and hadn't followed its internal policy for dealing with customers in Mr G's position. So, he recommended that Lloyds pay Mr G a further £250 compensation, bringing the total to £500.

Lloyds accepted the investigators opinion, but Mr G didn't. He said that the compensation offered was only the equivalent of £42 per day and didn't consider the trauma caused to himself and his family. He also said he had hours' worth of phone calls to the bank asking it to return the payment. So, he asked for an ombudsman to review the complaint and the case has been passed to me to decide.

I issued a provisional decision on 16 August 2024. I said the following:

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

The background to this case is well known to both parties so I won't go into it at length here. However, in summary Mr G says that Lloyds didn't treat him fairly when he asked for support due to a period of financial difficulty and vulnerability. He says that he was told that Lloyds would accept a reduced repayment of £400 for three months between October and December 2023. He also says that Lloyds said he needed to ensure that insufficient funds were in his business account when his contractual repayment was due, so that this payment would 'bounce' and the funds would be returned to him. I've listened to the calls between Mr G and Lloyds, and I'm satisfied that Mr G's recollection was accurate and looking at his account statements, I can see that Mr G followed the instructions he was given.

However, due to an error by Lloyds, the bank didn't return the repayment as agreed it simply left Mr G's account in an unauthorised overdraft by the full repayment amount. The result of this was that any funds subsequently credited to Mr G's account were absorbed by the overdrawn balance. I've seen that Mr G repeatedly called Lloyds to request that the payment was returned as this was causing him stress and greater financial difficulty. I've listened to the calls and heard Lloyds give Mr G conflicting information about when the payment would be recredited to his account. It also didn't make any attempt to mitigate the impact to Mr G, for example arranging a temporary overdraft so that any payments which were received were available, or to prevent his regular payments being returned as unpaid – despite him explaining the impact the missing funds was causing.

The Financial Conduct Authority and Lending Standards Board guidance say that businesses should look to positively and sympathetically support their customers who are vulnerable and/or in financial difficulty. Based on the evidence I've seen I don't think Lloyds did this here, instead, it made Mr G's difficulties worse by impacting his other income and payments. So, I think it's fair that the bank pay compensation for the distress and inconvenience it caused Mr G.

I recognise that Mr G doesn't feel £500 compensation is enough for the inconvenience he was caused. I acknowledge that he's told us because of Lloyds actions he was unable to buy food or fuel for his vehicle so couldn't work. I also want to thank him for sharing with us the information about his health. I don't dispute the impact Mr G felt because of Lloyds actions, or the impact this also had on his family. Mr G told us that he didn't have available funds in his account to make vital purchases and he's explained that the funds he withdrew were earmarked for a regular repayment and therefore he couldn't use them for food or fuel. Mr G has also provided his credit card statements which show he didn't have an available balance to use – and therefore he wasn't able to mitigate his losses whilst Lloyds were looking to return his funds. So, I do think Mr G was caused distress as a result of Lloyds actions here and the bank needs to do more to put things right.

Mr G told us that his health had been seriously affected by the bank's error and that he also hadn't been able to work as a result of both his health and not being able to purchase fuel to travel. I recognise that Lloyds actions would have caused Mr G considerable distress during the 10 days that he didn't have any access to funds, particularly given the amount of times that he called the bank to attempt to resolve this issue. So, I think Lloyds should pay Mr G compensation in line with our award for a serious short-term impact.

Mr G told us that he wasn't able to work as a result of the bank's error and he wants compensation for the loss of earnings for that 10-day period. Mr G has provided his bank statements which show prior to Lloyds error he did have payments from his self-employed income. But these payments do vary in both amount and times they are credited, so I can't fairly say that Mr G would definitely have been due to work at the time the error took place.

However, if Mr G is able to provide evidence to show that he lost income during the ten days as a result of the bank's error because he couldn't travel, then I am happy to consider this consequential loss. I also recognise that Mr G says that he's experienced longer term health issues as a result of the bank's error, but again I haven't seen any evidence from Mr G to show that these ongoing health issues are as a result of Lloyds error. So, I can't fairly ask the bank to pay compensation for this. However, if he can provide supporting evidence, I am happy to consider it.

Nevertheless, I don't think Lloyds has treated Mr G fairly here and I find that its actions were extremely poor towards him at a time where it should have been providing more support. So, I think Lloyds should pay Mr G £800 compensation for the inconvenience caused, in addition to the £4 unauthorised overdraft charges it has already refunded. I also think the bank should provide Mr G with a letter of apology which he can provide to any creditors whose payments were affected by Lloyds' error.

I invited Mr G and Lloyds to give me any more evidence and information they wanted me to consider before issuing my final decision. Lloyds accepted the decision and had nothing further to add. Mr G didn't accept the decision. He said that he hadn't been able to work for four weeks after the error caused by the bank due to the stress he'd been caused, and therefore it would be fair for the bank to pay him for the losses he incurred. He also provided details of his income for previous years based on his bank statements and tax returns.

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.

Having done so, I've reached the same conclusion as I did in my provisional decision.

I've considered Mr G's further comments about his financial losses and the impact on his health both during and after the bank's error. However, whilst I do have sympathy for Mr G, and I don't doubt the information he's provided, I'm afraid I don't have sufficient evidence from him to say the losses and impact were solely as a result of the bank's actions. We are an impartial and evidence-based organisation, which means that I am unable to simply accept what a party has said – I do need to see evidence that's the case.

It's not in dispute that Lloyds caused Mr G distress and inconvenience as a result of its error. And in the absence of any further evidence, I remain of the opinion that Lloyds should pay Mr G £800 compensation and provide him with a letter of apology which can be used for his creditors, to put things right.

My final decision

My final decision is that I uphold this complaint. I instruct Lloyds Bank Plc to do the following:

- Pay Mr G £800 for the distress and inconvenience caused.
- Provide Mr G with a letter of apology for its error which he can provide to any creditors.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 September 2024.

Jenny Lomax
Ombudsman