



LLOYDS TSB OVERHAULS APPROACH TO OVERDRAFTS

- ‘Limit alert’ text message service to help customers avoid slipping into the red
- Grace period giving any customer who has gone over their limit until 3.30pm the same day to pay money into their account and avoid incurring a charge
- Interest rates on unplanned overdrafts typically reduced by a third or more
- Returned item fees reduced from £35 to £20

Lloyds TSB today announced a major overhaul of overdrafts designed to help customers keep on top of their finances and avoid slipping into the red. Over recent months Lloyds TSB has been talking to thousands of customers and three things have become very clear:

- The majority of customers go over their account limit by accident – normally by small amounts and for a couple of days
- Customers do not get advance warning if they are about to go over their limit
- Small slip-ups cost them more than they would expect

The new pricing structure announced today aims to respond to this feedback.

The majority of Lloyds TSB personal customers (83 per cent) do not pay overdraft charges but, with the new text message service, all customers can now get advance warning if they are about to go overdrawn or are getting near their limit. All customers will also be given a ‘grace period’ during which they can top up their account and avoid paying any charges.

Ian Larkin, Managing Director of Consumer Banking, Lloyds TSB, said: “We want to help our customers avoid accidentally slipping into the red and are giving them the tools to do just that. We understand that it can sometimes be difficult for customers to keep tabs on their account and we want to make it easier.

... / more

LLOYDS TSB OVERHAULS APPROACH TO OVERDRAFTS ... / 2

“Our new text messaging service, which alerts people when they are getting near their limit, puts customers firmly in the driving seat. Customers who do accidentally go over their limit, will be better off as they have the chance to top up their account and get themselves back on track.”

Lloyds TSB provides its customers with a number of ways to keep track of their finances including free balance updates via text message on a weekly basis. In addition, customers can check on their balance 24 hours a day, seven days a week at any one of the bank’s 4,000 cashpoints, over the phone or at www.lloydstsb.com if they are registered for Internet banking.

Grace period

From 2 November 2007, all customers who accidentally slip into the red or go over their overdraft limit will be given a grace period in which to put things right. Provided they contact the bank and make arrangements to correct things before 3.30pm that afternoon they will not incur any charges. This might involve paying in some cash or moving some money from another Lloyds TSB savings account into their current account.¹

Lloyds TSB research² reveals that the vast majority of people who have unknowingly gone over their limit in the past (92 per cent) think that a grace period – a “window of opportunity” - to get their account back on track and avoid any charges would be beneficial.

New ‘limit alert’ text message service: free trial until January 2008

In addition to their existing free weekly balance text updates, customers will also be able to opt for a new ‘limit alert’ text message service that warns them if they are close to, or over, their overdraft limit.

... / more

LLOYDS TSB OVERHAULS APPROACH TO OVERDRAFTS ... / 3

Customers will receive:

- A 'near limit' alert when their balance is within £50 of its limit
- An 'over limit' alert when their balance is over its limit or if a payment (for example a standing order) can't be made because there is not enough money in the account

This will help customers who struggle to keep tabs on their account and will give them the chance to get things back on track and avoid incurring a charge.

Two thirds (66 per cent) of people who had gone over their limit in the past said that they hadn't known that they were about to slip into the red. Of these, nine out of ten (92 per cent) said that it would have been helpful to have had advance warning. Over eighty per cent (84 per cent) believe that if they had been warned, they would have been able to get themselves back on track and avoid paying any charges. Almost three quarters (72 per cent) thought that a text alert would be a good way to receive the warning.

This service will be open to all customers and is available to trial, free of charge, until the end of the year, so that people can see if they find it useful in managing their money. From the beginning of next year, there will be a fee of £2.50 per month per account, irrespective of the number of texts customers receive each month.

Interest rates on unplanned overdrafts reduced by a third or more

To make interest rates easier to understand, Lloyds TSB has streamlined its prices so that planned and unplanned overdraft rates are the same. Customers will pay the same interest rate for unplanned overdrafts as the rate they pay for planned borrowing. This rate varies from account to account³ but, typically, unplanned overdraft interest rates will be reduced by a third.

... / more

LLOYDS TSB OVERHAULS APPROACH TO OVERDRAFTS ... / 4

Returned item fee reduction

Returned item fees which a customer incurs when there are not sufficient funds in their account to honour a cheque, standing order or direct debit, will be reduced from £35 to £20 and capped at a maximum of three fees per day.⁴

Unplanned overdraft pricing restructured

From 2 November, customers who go over their limit will pay a flat monthly fee of £15 and then a lower unplanned borrowing fee on a daily basis, irrespective of how many transactions they make that day. Being over the limit by less than £25 will cost £6 per day, from £25 to £100 will cost £15 per day and over £100 will be £20 per day.⁵ Customers who go over their overdraft limit by a small amount, for a short period of time, will be better off under this new pricing structure.

Planned overdrafts

Customers are always advised to talk to their bank to organise a planned overdraft to meet their needs. However, Lloyds TSB understands that it can sometimes be difficult for customers to keep tabs on their account and these changes are specifically designed to help those customers who accidentally slip into the red.

These changes will come into effect on 2 November and all Lloyds TSB customers will receive notification by the end of September.

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For further information:

Mary Walsh / Amy Mankelow / Kirsty Clay
Lloyds TSB Press Office
Tel: 020 7356 2121 / 020 7356 1497 / 020 7356 1517
Email: firstname.surname@lloydstsb.co.uk

Notes to editors:

¹ Funds paid in must be 'cleared funds' i.e cash or money moved from another Lloyds TSB account.

² Research carried out online by YouGov Plc in September 2007 amongst 2,510 GB adults (18+), weighted to be representative of the adult population.

³ **Lloyds TSB planned and unplanned overdraft interest rates commencing 2 November 2007**

Account	Monthly Rate %	EAR %
Classic	1.48	19.3
Classic Plus	1.45	18.9
Silver	1.45	18.9
Select	1.45	18.9
Select Plus	1.34	17.3
Gold Service	1.34	17.3
Gold Service Plus	1.3	16.8
Platinum	0.97	12.3
Platinum Plus	0.83	10.4
Premier	0.83	10.4
Premier Plus	0.83	10.4
Student*	NIL	NIL
Graduate**	NIL	NIL

* Student account holders receive up to £1,500 interest-free overdraft for years one, two and three. The overdraft is tiered in the first year; £500 for the first six months, £1,000 in months seven to nine and £1,500 after that. For students on longer courses, an interest-free overdraft of up to £2,000 is available during years four, five and six.

In the event of going overdrawn beyond the interest-free limit, interest is only charged on the amount above the interest-free limit (e.g. a third year student who went overdrawn by £1,800 (within an agreed £1,500 facility) will only pay interest on £300 not the whole £1,800). The planned overdraft rate is 8.2% EAR.

**Graduate account holders receive up to £2,000 interest-free overdraft for the first year following graduation; up to £1,500 for the second year, and up to £1,000 for the third-year.

In the event of going overdrawn above the interest-free limit, interest is only charged on the amount above the interest-free limit. The planned overdraft rate is 16.8% EAR.

Competitor unplanned overdraft interest rates:

Bank	Unauthorised overdraft rate (EAR)
HSBC	18.8%
RBS / NatWest	29.69%
Barclays	27.5%
HBOS	29.8%
Nationwide	24.9%
Abbey	28.7%

Information is based on published rates and correct as at: 7 September 2007

⁴ Currently, returned item fees are £35 capped at three per day.

⁵ The monthly fee is payable if a customer makes use of an unplanned overdraft at any time during their monthly billing period. The maximum number of days a customer can be charged a daily fee is 10 days within any monthly billing period.

Unplanned overdraft charges starting from 2 November 2007:

Monthly unplanned overdraft fee - £15	
Daily unplanned overdraft fees	Daily fee
Less than £25	£6
£25 - £100	£15
Over £100	£20

Currently, Lloyds TSB charges an overdraft excess fee of £30 and a returned item fee of £35 with an unplanned overdraft interest rate of 29.8%. (EAR)

Please Note: All Lloyds TSB rates and charges correct as at 7 September 2007. EAR = Equivalent annual rate.