



LLOYDS TSB COMMENT ON FIRST PHASE OF OFT TEST CASE

We are pleased that a decision from the initial stage of the test case has been reached as it takes us closer to getting clarity for our customers.

The court has confirmed that unauthorised overdraft fees are not default or penalty fees, but fees for a service as the banks have always maintained.

While the court has concluded that the fees are assessable for fairness, the Judge was explicit in stating that this does not mean that they are unfair. Subject to any appeals, whether the charges are unfair, will need to be clarified by the courts during the next stage of the test case.

The Judge also said that Lloyds TSB's terms and conditions, along with those of three other banks, were plain and intelligible.

We are keen to work with the court to establish complete legal clarity on this issue as quickly as possible so that everybody knows where they stand, especially the small proportion of customers who pay charges.

The majority (81 per cent) of Lloyds TSB's personal customers don't pay overdraft charges and at the end of last year, the bank announced a major overhaul of its overdrafts introducing a number of tools designed to help customers keep on top of their finances and avoid slipping into the red.

All Lloyds TSB customers can now get advance warning if they are about to go overdrawn or are getting near their limit by registering for Lloyds TSB's 'limit alert' text message service. In addition, all customers receive a 'grace period' giving any customer who has accidentally gone over their limit until 3.30pm the same day to pay money into their account and avoid incurring a charge.

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We are reviewing the full content of the judgment and will contact customers with outstanding claims within a few weeks to update them.

As previously agreed with the Financial Ombudsman Service and the FSA, customer complaints relating to unauthorised overdraft charges will currently remain on hold. The banks will continue to ask County and Sheriff Courts to keep cases relating to unauthorised overdraft charges on hold until the test case is concluded.

Please refer to our website: www.lloydstsb.com for further information.

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