

The complaint

Mrs G has complained that Lloyds Bank plc (Lloyds) irresponsibly increased the limit on her credit card and mis-managed her payment plan.

What happened

Mrs G had a credit card with Lloyds and started to have some financial difficulties in 2014. Lloyds agreed a number of repayment plans between October 2014 and August 2017 – with the plans being for six months at a time, based on her income and expenditure. Interest and charges were stopped while these plans were in place. Mrs G's last payment to the account was in February 2018 and because of the lack of payments and the increasing arrears on the account, Lloyds issued a default notice to Mrs G and eventually sold her account to a debt recovery agent.

Mrs G complained to Lloyds, saying that it was wrong to have increased the credit limit on her account to the amount it did. She also wasn't happy with how Lloyds had treated her during a difficult time when she was suffering from anxiety and depression. Mrs G also added that high levels of interest and charges had been added to her account when they shouldn't have been, along with saying that Lloyds advised her that she should let her account go into default and that her account wouldn't be sold to recovery agents.

Lloyds responded to say that it had refunded interest and charges due to system errors and not supporting her as much as it could have. It acknowledged that this would have caused Mrs G some worry and confusion and offered £150 for this. However, it said that it was entitled to sell the account in the circumstances here and that it was Mrs G's choice to use the credit available to her as a customer. Mrs G wasn't happy with this and brought the complaint to our service.

Our investigator said that we couldn't consider the increases in the credit limit because the last one had been made too long ago for us to consider under our rules. But in terms of how Lloyds handled Mrs G's financial difficulties, he felt it had been as helpful as possible. Its terms and conditions explained that it could sell the debt and, given the lack of payments and Lloyds attempts at contacting Mrs G by letter about the situation – it was fair that it did so here. He felt that the £150 was fair for the service Lloyds had provided around this, but didn't think Lloyds needed to do anymore here.

Mrs G accepted what our investigator said about us not being able to consider the credit limit increases, but disagreed with what he said about Lloyds' approach to her difficulties. She said she never received any of the letters Lloyds sent her before it defaulted the account, which was for the wrong amount because of the interest that was applied. Mrs G also said that she had been advised to go into default by Lloyds. So the case has been passed to me to decide.

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.

Our investigator has explained why we can't consider the increases to the limit she's complained about here. Mrs G has accepted that, so I won't cover this in any detail. Instead I'll focus on how Lloyds has treated her while she has been in financial difficulties.

It's clear that Mrs G has been dealing with a lot in her personal life and with her health, alongside trying to manage her account. But, underlying this situation is that payments plans and arrangements are only really temporary assistance for people in financial difficulties. When it's clear that someone's financial difficulties are long term, then a business will usually close an account and pass it to a recovery agent for collection. That will have an impact on a customer's credit file, but often mean that interest and charges are suspended, so a customer can repay what they owe without the debt increasing.

Here, that's what Lloyds did. It had the right to sell the debt to a debt collection agency as the credit card conditions say "*Missing payments could have severe consequences...if you continue to miss payments, we may sell your debt...*"

Mrs G had been struggling financially since 2014 as a result of either her or her husband being out of work. There were arrears on her credit card. She was also suffering from anxiety and depression. Lloyds were aware of this.

In circumstances like these, I'd expect to see that Lloyds has treated Mrs G positively and sympathetically. There is guidance which points to the sort of things that a bank can do to help someone experiencing difficulties. But there's no set approach and a business should see what it can do to help a customer in their individual circumstances.

Here, Lloyds did try to help Mrs G. Throughout the period 2014 to 2018, Lloyds agreed four payment plans, each for six months, with interest and charges suspended. Mrs G completed an income and expenditure analysis each time to show that the payments could be made. Lloyds agreed to accept payments of either £150 per month or £200 per month. I think that was fair in the circumstances. Mrs G made these payments but following the last payment of £150 in February 2018, no further payments were made.

Between September 2018 and June 2019, Lloyds wrote to Mrs G six times, in each case asking her to settle the arrears, or if this could not be done, asked her to get in touch to discuss how Lloyds might help. Interest and charges were waived, sources of free debt advice were pointed out, and an income/expenditure form and medical questionnaire were included. Unfortunately, Mrs G did not contact Lloyds during this period, either by telephone, email or letter.

In the letters dated September 2018 and June 2019, Lloyds said that if there was no response, the debt might be passed to a debt collection agency, so Mrs G was warned that the debt might be sold. Mrs G said that she did not receive the letters sent by Lloyds, but I am satisfied that they were sent. I say this because Lloyds have provided copies of the actual letters with Mrs G's name and address on them.

The only reference I could find to Mrs G being told not to pay is in Lloyds' the customer notes which suggested that Lloyds told Mrs G not to respond to a default notice letter. On 10 March 2017, it says "*...advised default notice and formal demand letter adv cust not to respond on the letter*". The date of this was 18 months before the sequence of letters which started in September 2018.

I don't think it'd be fair for me to say that this means that Lloyds wasn't then able to take the action it subsequently did in terms of selling the account and defaulting it though. The situation had changed considerably over these 18 months, for example I can see that after March 2017, Mrs G then subsequently discussed another payment plan in August 2017. In any event, Lloyds' advice in March 2017 clearly referred to particular letters it was sending at this time. That doesn't mean that Lloyds couldn't then take this same action later where it was entitled to do so.

Lloyds made some errors in applying interest and charges but did correct this. The refunds meant that Mrs G hadn't paid any interest or charges since 2015. The refunds did not take place until April 2018, December 2018 and January 2019. Because the refunds were delayed, the balances quoted by the bank were too high in its letters sent between September 2018 and December 2018.

Lloyds recognised the confusion this would have caused and the impact of its service around this. For this it offered Mrs G £150. It would have been confusing and worrying for Mrs G to have seen interest and charges being added when she thought they wouldn't have been. That's especially the case given what she's told us about her personal situation over the years she was dealing with this matter. So I think this amount is fair to reflect this.

But even after the refunds, Mrs G still owed Lloyds £8,700 and it had agreed a number of payment plans with her over the years. So, Lloyds were entitled ask for repayment of the debt and take further action when this wasn't repaid in a timely way. I think it did so in a fair way after trying to do what it could to help her with her financial difficulties. While I realise that Mrs G won't be happy with this, I can only suggest that she now speaks to the agent who is recovering this debt to agree an affordable way forward for her.

My final decision

Lloyds Bank plc should pay Mrs G £150 for the impact its service had on her. I make no further award here.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 14 January 2021.

Martin Lord
Ombudsman