

The complaint

Mrs M complains about the service she received after she contacted Lloyds Bank PLC ("Lloyds") for support due to Covid-19.

What happened

Mrs M had two credit card accounts with Lloyds.

The first account was opened in February 2016. It benefitted from a promotional interest rate of 0% which ran for 30 months on balance transfers and 12 months on purchases. I'll call this Account 1.

The second account was opened in April 2020. It benefitted from a promotional interest rate of 0% which ran for 16 months on balance transfers and six months on purchases. I'll call this Account 2.

In June 2020, Mrs M contacted Lloyds and said that she was struggling financially. Her accounts were up to date at that point. She explained that her income had been affected by Covid-19. By this time, the promotional interest rate on Account 1 had expired. Lloyds suggested a long-term arrangement, but Mrs M didn't want her credit file to be negatively affected, so her accounts were placed on hold temporarily instead.

Lloyds spoke to Mrs M again in July 2020 and some further options were discussed. Lloyds offered a payment holiday, but Mrs M was worried about interest accruing, so didn't want to pursue that option. Lloyds suggested a repayment plan and agreed to send Mrs M an Income and Expenditure form for her to complete. Lloyds also discussed the possibility of transferring the balance from Account 1 to Account 2 so that Mrs M could benefit from the 0% interest rate. Lloyds said that Mrs M needed to speak to the credit card team to put this in place. It was agreed that the hold on both accounts would be extended by 30 days.

Mrs M spoke to the credit card team, but it turned out that the balance transfer wasn't possible. She completed the Income and Expenditure form and returned it to Lloyds. It showed that her income was less than her outgoings. Mrs M proposed a payment of £0.50 per month. She says she didn't hear anything from Lloyds until August 2020, when it sent her a Default Notice in relation to Account 2.

Mrs M complained to Lloyds in September 2020. She said it had given her poor advice and that her credit file had been negatively impacted. She said that, as a result, she couldn't get a mobile phone contract which she needed for work. She said she couldn't afford the interest on Account 1 and that she should have been offered support. She was unhappy that Lloyds had told her she could do a balance transfer, only to find out later that it wasn't possible.

Lloyds partially upheld Mrs M's complaint. It apologised for giving her incorrect information about the balance transfer options. And it said that it should have put a payment holiday in place on Account 2. If this had happened, Mrs M could have missed three payments without any interest being applied and without any impact on her credit file. Lloyds paid Mrs M £75 to make up for the inconvenience and upset caused. It also offered to cover her call costs. And

it removed the late payment marker for this account from Mrs M's credit file.

But, in relation to Account 1, Lloyds said that Mrs M had declined a payment holiday because of concerns about interest. Lloyds said it had made Mrs M aware that if she missed a payment, it would be reported to the Credit Reference Agencies. It said it had correctly reported a late payment for July 2020 and couldn't remove this.

Lloyds said that it had put a note on both Mrs M's accounts to say that, if she were to apply for a payment holiday at that stage, it should be considered. Following this, Mrs M applied for payment holidays on both accounts. Her applications were declined. The letters from Lloyds said *"There could be a number of reasons for this, for example you may have missed some credit card payments"*.

Account 2 was defaulted in December 2020 and sold to a debt purchasing company. Mrs M resumed payments on Account 1 in November 2020. The balance was cleared in July 2021 and that account is now closed.

Mrs M wasn't happy with the situation and came to this service. I issued a provisional decision on 16 March 2022 indicating my intention to uphold this complaint. Lloyds accepted my provisional findings. Mrs M raised some further points for me to consider.

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.

I haven't seen anything which changes my mind about the appropriate outcome here. So I'm going to uphold this complaint in the way I indicated in my provisional decision. My reasons are set out below.

In April 2020, the Financial Conduct Authority (FCA) issued guidance which said that firms should offer a payment holiday of up to three months to customers who were negatively impacted by coronavirus. It said that customers' credit files shouldn't be affected by taking a payment holiday. These measures were extended in July 2020, when the FCA said that firms should extend payment holidays by up to three more months for customers who were still struggling.

Mrs M was clearly impacted by coronavirus and it's not in dispute that she contacted Lloyds as a direct result of the effect it was having on her income. Her accounts were both up to date at the time. She was proactively contacting Lloyds, trying to manage her finances responsibly. The different interest rates meant that the implications of a payment holiday were different for each account. I'll look at each account in turn, starting with Account 2.

Account 2

I think that Lloyds ought to have offered a payment holiday to Mrs M when she first contacted it in June 2020. I understand that she was concerned about interest building up. But, as Lloyds now accepts, that wasn't relevant to Account 2 because it was on a 0% interest rate at the time. If Mrs M been advised correctly at the time, I find it likely that she would have agreed to a payment holiday. So it could have been in place from July to September 2020. Mrs M wouldn't have had to make any payments during this time, no interest would have been applied to her account and her credit file wouldn't have been impacted. So Mrs M would have been in a better position with a payment holiday.

Under the FCA extended guidance, Mrs M could then have applied to extend the payment

holiday by up to three more months. She did apply for a payment holiday in September 2020, but her application was declined. I understand this was because of missed payments on her account. But, if Mrs M had been on a payment holiday from July 2020 (which Lloyds accepts ought to have happened), her account wouldn't have been viewed negatively and I find it likely she'd have been eligible for an extended payment holiday. So, Mrs M has suffered twice here as a result of Lloyds' original mistake.

To put things right, I think Lloyds should apply the FCA guidance retrospectively in relation to Account 2. I'm aware that it has already removed some missed payment markers from Mrs M's credit file. But I think it should remove all adverse information reported to the Credit Reference Agencies from June 2020 to December 2020. I'm not aware of what happened to the account after December 2020 as it was transferred to a third party at that point.

From the information I've seen, no interest or charges were applied to this account by Lloyds, so I don't think it needs to do anything in that respect.

Account 1

As above, I think Mrs M would have been eligible for a payment holiday on this account when she first contacted Lloyds in June 2020. The difference with this account is that the 0% interest rate had ended. Mrs M was concerned about interest building up, so she didn't want to pursue the payment holiday. But she was also concerned about negative reporting on her credit file, which would have been avoided with a payment holiday.

I'm satisfied that it was Mrs M who decided not to pursue the payment holiday option in the July call. So I don't find that Lloyds did anything wrong by not putting a payment holiday in place at that time. But I think it's relevant that, when Mrs M said she didn't want to take a payment holiday, she thought there were other options available to her. These were a balance transfer to Account 2 or, failing that, a repayment plan.

Mrs M later found out that the balance transfer wasn't possible. She says Lloyds told her that if she didn't make payment before the end of July, her credit file would be impacted. So she says she completed and returned the Income and Expenditure form as soon as she received it so that the issue could be resolved in time. Mrs M says she didn't hear anything back. I'm satisfied that Lloyds received the completed Income and Expenditure form. But I haven't seen any evidence that it responded to it in any way. I don't think that was reasonable.

Lloyds says that it couldn't offer Mrs M a repayment plan as her outgoings were more than her income. I think that's a reasonable stance, as the information Mrs M provided showed that she couldn't afford to make repayments. But I don't think it was fair that this wasn't communicated to Mrs M at the time.

It's not in dispute that Mrs M didn't make the July payment and that she'd been told it would be reported to the Credit Reference Agencies if she missed it. But she was waiting to hear back from Lloyds, having proactively contacted it in June to seek support. The completed Income and Expenditure form doesn't appear to have been received by Lloyds until August. But I've no reason to doubt Mrs M when she says she returned it in July. At that stage of the pandemic, I find it likely that there were delays in receiving and processing post. But I don't think Mrs M should be worse off as a result. She'd done what Lloyds asked by returning the form. And she'd made it clear that she couldn't afford the normal monthly payments. In the circumstances, I'm not sure what else Mrs M could have done in the absence of any contact from Lloyds.

It's not possible to say what would have happened if Lloyds had told Mrs M that it couldn't put a repayment plan in place, or if she'd been advised correctly about a payment holiday on

Account 2 at the time. But I think it's possible that, in those circumstances, she might have decided to take a payment holiday on Account 1.

Lloyds' final response letter said that Mrs M could apply for a payment holiday, which she did. She was prepared to take a payment holiday at that stage, when it was apparent there were no other options. I think this suggests that, if she'd known in June or July that the balance transfer and repayment plan weren't possible, she would have taken the payment holiday option then. When her September payment holiday application was declined, Mrs M set up a Direct Debit again and resumed minimum payments from November 2020.

Taking all of the above into account, I think the fair outcome would be for Lloyds to remove any adverse information reported to the Credit Reference Agencies from June 2020 to November 2020 for Account 1.

Mrs M is unhappy about the rate of interest which she was charged after the promotional rate ended. I don't think Lloyds did anything wrong by applying the contractual interest rate. But, in any event, I note that it didn't apply any interest to Mrs M's account from June 2020 until April 2021. So, effectively, the 0% interest rate was extended by ten months. I think that was fair, so I'm not going to ask Lloyds to do any more about the interest.

I note that Mrs M missed a payment in May 2021. That was when interest began to be applied to the account. If Lloyds reported this as a missed payment, I'm not going to ask it to change that. Lloyds' letter of 29 October 2020 made it clear that, when the interest freeze was removed, the monthly payment would include interest. It said that any missed payments would show on Mrs M's credit file as having been missed.

overall impact on Mrs M's finances

In response to my provisional decision, Mrs M said that, at the time this was all happening, all credit card offers were withdrawn by the industry. She said this meant she couldn't use offers to manage her finances and was left with crippling interest on her debt which was unmanageable. She also said that, once credit card offers started to become available again, she couldn't benefit from them because of the state of her credit file.

I've thought about what Mrs M has said and I sympathise with her situation. But I'm only looking at the actions of Lloyds here and I can't fairly ask Lloyds to do anything about the fact that there weren't offers available to Mrs M in the market.

When Mrs M opened the accounts with Lloyds, she agreed to be bound by the terms and conditions of those accounts. I haven't seen anything to indicate that Lloyds acted outside the terms and conditions in the way it applied interest or the rate of interest it charged. Account 2 was on a 0% interest rate. And, as I found above, Lloyds didn't charge any interest on Account 1 until April 2021. I think that was fair and I don't think Lloyds needs to do any more in this respect.

Mrs M paid off Account 1 in July 2021. This was only shortly after Lloyds began to apply interest to the account. So I don't find that Mrs M suffered any significant detriment in terms of not being able to benefit from offers from other providers.

Account 2 was defaulted, meaning no interest or charges were applied from that point. And none had been applied beforehand. No payments were being made and Lloyds says it couldn't offer a repayment plan where a customer's outgoings are more than their income, as explained above. I realise Mrs M is unhappy about the account being transferred to a third party. But I don't think it was unreasonable for Lloyds to do that in the circumstances.

conclusion

In conclusion, I think Lloyds could have dealt with Mrs M's request for support more appropriately. It should have offered payment holidays when Mrs M first made contact and it should have made it clear that no interest would be applied to Account 2. In relation to Account 1, it should have given Mrs M correct information about the options. And it should have contacted her about the Income and Expenditure form. At that point, further options could have been discussed and I think that would have put Mrs M in a better position.

I don't think Mrs M should be worse off as a result of Lloyds' mistakes. And I can appreciate the distress and inconvenience they caused her. In addition to removing adverse information from her credit file as set out above, I think Lloyds should pay Mrs M compensation of £200. As it has already paid £75, it will need to pay a further £125 now.

My final decision

For the reasons above, I uphold this complaint. Lloyds Bank PLC should:

- remove any adverse information reported to the Credit Reference Agencies from June 2020 to December 2020 for Account 2;
- remove any adverse information reported to the Credit Reference Agencies from June 2020 to November 2020 for Account 1; and
- pay Mrs M further compensation of £125.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 27 April 2022.

Katy Kidd
Ombudsman