

The complaint

Mr H complains that Lloyds Bank PLC ("LB") declined his credit card payment when he was on holiday outside the UK.

What happened

Mr H has held a LB credit card account since 2008.

In or around March 2022, Mr H left the UK on a pre-planned holiday and took his LB credit card with him. During the holiday, Mr H wanted to take advantage of various services offered by the hotel he was staying in. As he needed to pay for these separately, he attempted to use his LB credit card in the hotel's chip and pin card device. But the transaction was declined by LB. A second attempt later resulted in a further decline.

Mr H couldn't understand why his card was being declined when he knew he had sufficient funds available. So, he decided to call LB to find out more and complain about his experience.

LB established that Mr H had attempted to use his LB Avios branded credit card. They said this card had been deactivated and couldn't be reactivated. LB said a replacement Cashback card had been issued to him. Mr H told LB they hadn't notified him about that, and his existing Avios card was still within its expiry date. He wanted to log a complaint and thought LB should pay compensation for the embarrassment caused.

LB responded to Mr H's complaint in a letter shortly after. They said a letter had been sent to him about the withdrawal of the Avios branded card and it was this card he'd tried to use on holiday. But it had been blocked and closed in June 2021, so couldn't be used. They also noted that Mr H appeared to have completed an online transaction with his new card in February 2022. They didn't think there'd been an error so didn't uphold his complaint.

Mr H wasn't happy with LB's response. So, he asked this service to look into his complaint. He said, *"It would seem that LB had sent out a new...card...I had forgotten that I had put this away in our safe"*. Mr H said he'd successfully used his old card online on at least three occasions since June 2021, and there was nothing to suggest it wouldn't continue to work until its expiry. He'd also spoken to LB since who'd said that the new card retained the same 16-digit number and security code as his old one. They thought this was why his online transactions had been successful. Mr H thought the security code should've been changed as this would've prevented the problem he experienced.

One of our investigators looked into what had happened. Having considered all the information and evidence provided, our investigator didn't think LB had done anything wrong or treated Mr H unfairly. Mr H didn't agree with our investigator. He pointed out that whilst LB's literature had confirmed his card would stop working, they'd suggested existing recurring transactions would continue. He felt this was misleading given he'd successfully completed new online transactions after the card's deactivation.

As an agreement couldn't be reached, the case has been passed to me for review.

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 believe it's important to explain the role of this service when considering Mr H's complaint here. It isn't the role of this service to supervise, regulate or ask a business to alter their policies or procedures or impose improvements on the level of service offered to their customers. These aspects fall firmly within the remit of the regulator – in this case, the Financial Conduct Authority (FCA).

But it is our role to examine and decide whether a business has been fair and reasonable in the manner in which those policies and procedures are applied in the individual circumstances of Mr H's experience with them. When considering his complaint, I've also considered any relevant rules and regulations where they apply.

LB have explained the reasons for the withdrawal of their Avios branded credit card. I don't propose to explain those here as I don't believe they're relevant to Mr H's complaint. However, the impact of that change saw LB write to all of its existing Avios rewards customers in April 2021 to explain that a new Cashback reward scheme would be introduced from 1 June 2021.

LB sent a letter to Mr H around that time which included a replacement credit card under the new Cashback reward scheme. That letter said, *"Your Avios Rewards Mastercard will stop working on 31 August 2021, and any transaction made on your card after this date will be declined. Any recurring transactions already set up will continue to be taken as normal"*. The letter goes on to ask Mr H to replace his old card with the new one issued and securely destroy and dispose of the old (Avios) card.

I think these instructions are very clear and easy to understand. But it seems Mr H chose not to do this. Due to his personal circumstances at the time, he chose to securely store his new card and continue to use his old one. It's unfortunate that he then forgot about the new card. But I can't reasonably hold LB responsible for Mr H's decision and actions here.

Mr H has said, and LB has confirmed, the new card was issued with the same 16-digit number and the same security code. That was LB's process and policy and this service is unable to comment on or change that. I can only consider if this led to Mr H being treated unfairly or unreasonably. And as LB had told him well in advance, as they did all their customers, I can't say that was the case here.

Credit cards can be used in a number of ways to complete a transaction. Broadly speaking, these are split into situations where the cardholder is either present or not present. Commonly, cardholder present transactions involve a chip and pin process. Here, the card is inserted into a merchant's payment processing device and data from the card is used to identify and authorise the transaction.

Where the cardholder isn't present, the card details are usually provided including the 16-digit number on the front of the card together with a three-digit security code. These are verified against the consumer's personal details and the process may also include an enhanced level of authentication before approval (e.g. using a unique code sent by SMS text message).

The successful online transactions completed by Mr H meant the cardholder (Mr H) wasn't present. By that, I mean he wasn't physically with the merchant inserting his card into a chip and pin device. And because the details of the card used were the same as on the new replacement card, there would've been no way for LB to distinguish between the old and new cards. So, I can understand why they were processed successfully.

Mr H's attempted transaction at his holiday hotel was a card holder present transaction. So, the card was physically used. And the information on the chip would've identified it as Mr H's old deactivated card. This is what happened when Mr H was on holiday. The process identified Mr H's old deactivated card and understandably declined the transaction.

Mr H's holiday experience was clearly very unfortunate. To find himself overseas in a situation where he doesn't have a valid credit card could be very worrying and at the very least, inconvenient. So, I can appreciate his strength of feeling here. Particularly as he feels he was placed in a very embarrassing position when his card was repeatedly declined.

Having carefully considered all Mr H's comments together with the information and evidence available, I can't reasonably say LB did anything wrong here. They notified Mr H well in advance of the changes to his card and account and sent a new card in plenty of time with clear instructions. So, while I do appreciate Mr H will be disappointed, I won't be asking LB to do anything more here.

My final decision

For the reasons set out above, I don't uphold Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 December 2022.

Dave Morgan
Ombudsman