

The complaint

Ms W says Lloyds Bank PLC closed her current account and credit card with no notice and unfairly defaulted the credit card debt permanently damaging her credit rating.

What happened

Ms W was declared bankrupt in another country on 16 April 2021. When Lloyds was notified it closed her bank account and her credit card. It first blocked the bank account as it had a small debit balance. It applied a default on the credit card account as it had a larger outstanding balance.

Lloyds accepts it should have given Ms W the chance to repay her credit card debt in full before closing and defaulting the account. It paid her £250 for the distress and inconvenience this caused. It gave Ms W 60 days from the date of the final response letter to repay the debt explaining if she didn't the default would remain. It also refunded all fees applied after 16 April 2021. It refunded £31.23 to Ms W's bank account giving it a nil balance and sent £17.33 that Ms W was entitled to back to her.

Ms W says Lloyds should have frozen her accounts as it says it does in such circumstances on its website, not closed them. The overseas bankruptcy has no legal bearing on her UK finances, no other company has closed her account(s). She was happy to repay the debt - Lloyds was concerned she may have financial difficulties, but also said she must repay the debt in full in 60 days rather than set up a payment plan. This seems to her contradictory and unreasonable.

Ms W wants Lloyds to re-open her credit card account so she can make monthly repayments to clear the debt. She wants the adverse information removing from her credit file to repair her credit rating and evidence from Lloyds that it had the right to close her account when her bankruptcy happened in a different country. She asks for more appropriate compensation for the stress caused, particularly as she was recovering from a life-threatening illness.

Our investigator did not uphold Ms W's complaint. Across three communications she explained why she found Lloyds' actions, and response to Ms W's complaint, to be fair. She said the bank followed its bankruptcy policy and processes, and had acknowledged it should have given notice. It takes the same action if a bankruptcy is in the UK or overseas, except there is no claim if the bankruptcy is overseas. The investigator felt its remedial actions of giving a further 60 days to repay the debt and then removing the default if it was repaid in full, settling the current account, and refunding fees was fair, as was the £250 compensation. She explained the bank has the right to close accounts if it believes there is a risk of an account holder not repaying what they owe. She had not been able to find anywhere on Lloyds' website that says it will freeze accounts in cases like this, and nor had the bank. And Lloyds' policy is not to offer payment plans for customers who have been declared bankrupt.

Unhappy with this analysis Ms W asked for an ombudsman's review. She reiterated her arguments as to why Lloyds' actions were wrong, and said whilst she has never seen the policy Lloyds refers to it must have some flexibility meaning there were other options that would not have permanently damaged her UK credit record. Her finances here were not

affected by the overseas bankruptcy and she has met all her financial obligations.

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.

Having done so I am not upholding Ms W's complaint. I'll explain why.

It is not in dispute that Lloyds got some things wrong. It did not give Ms W notice of closure and the opportunity to repay her credit card debt before defaulting that account. However when we find a business has made an error we look to make sure it has put the customer back in the position they'd be in had the mistake not occurred. I find by giving Ms W 60 days from 3 June 2021 to settle her account and thus repair her credit record it did this. But she did not make payment, so the default remains. And I note from the call records between Ms W and the bank on 18 May 2021 that she told Lloyds she had the money to pay the credit card balance.

Ms W argues she should have been offered a payment plan, but Lloyds has explained it does not offer plans in bankruptcy cases. I know Ms W feels in her particular circumstances there should have been some flexibility, but we do not have the power to instruct a bank to change its policies. And it is for this reason I cannot agree with another of Ms W's points. She feels strongly the overseas bankruptcy was not relevant to her UK situation, but Lloyds has explained its bankruptcy policy applies irrespective of where the bankruptcy is registered.

Section B9 of the credit card terms and conditions Ms W agreed to reads '*We may close your account and require immediate repayment of everything you owe under this agreement if you die, are made bankrupt ...*' so I find Lloyds acted in line with the terms of their agreement in this regard.

As Ms W did not submit evidence of Lloyds' online commitment to only freeze accounts as she referenced I can't comment further on this.

It follows I won't be telling Lloyds to re-instate Ms W's credit card account or remove the default. I have thought about the stress Ms W clearly experienced by not receiving notice of closure and I am sorry this happened whilst she was seriously ill. But in the round, I find the £250 Lloyds paid to recognise the impact of its error to be fair.

My final decision

I am not upholding Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 25 October 2022.

Rebecca Connelley
Ombudsman