

## The complaint

Miss K complains that Lloyds Bank PLC unfairly handled her accounts and prevented her from taking out further borrowing after she asked for help with managing her money.

## What happened

In May 2021, Miss K called Lloyds to ask for help with managing her money. She said she wasn't having trouble paying her bills, but often found herself in her overdraft or spending most of her disposable income by the end of the month. Lloyds asked Miss K if she had any vulnerabilities such as mental health issues that might impact how she managed her money. Miss K shared details about her past challenges with her mental health, ongoing memory problems and dyslexia.

Lloyds offered to help by suspending interest and charges across Miss K's overdraft, loan, and credit card accounts for 30 days. Miss K was told that she also wouldn't be able to use her credit card during this time. Lloyds suggested Miss K visit her local branch to review her accounts. Lloyds assured Miss K that these steps wouldn't affect her credit file – and Miss K accepted the arrangement.

Shortly afterwards Miss K's credit card limit was reduced and her requests for further borrowing were declined.

When Miss K went to her local branch, she says she was told her account was marked as being of poor creditworthiness. Miss K felt Lloyds hadn't fully explained the consequences of the 30-day hold and must be basing its decisions on false information. Miss K spoke to Lloyds about this on several occasions and was given information she felt was wrong or confusing, so a complaint was raised.

Lloyds said it offered the 30-day hold to give Miss K time to consider how better to manage her money. Lloyds said this hadn't affected Miss K's credit file. It had placed an internal marker on Miss K's account to help its agents identify that additional support may be needed, or that further borrowing may not be appropriate. Lloyds said it was a business decision to decline Miss K's lending applications and didn't agree this was entirely because of the marker. However, Lloyds agreed it could have better tailored its support, so it offered Miss K £100 to put things right. Unhappy with this, Miss K referred the matter to our service.

I issued a provisional decision on 3 November 2022 where I explained why I intended to uphold Miss K's complaint. In that decision I said:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."*

*To be clear, I've only looked at events that happened up until the date of Lloyds' final response letter issued on 31 August 2021.*

*Based on what I've seen so far, I intend to uphold Miss K's complaint. I'll explain why.*

*Lloyds says that when Miss K first contacted it to ask for help with managing her money more effectively, it froze interest and charges on her accounts to give her time to assess how she might better manage the accounts herself and Miss K agreed to this. However, having listened to the call, I think Miss K made it clear that she wasn't in financial difficulty. She hadn't fallen behind with her repayments and there was nothing to suggest she would have struggled to continue to meet them. She was often paying more than her minimum contractual repayments. Miss K made it clear she was only struggling to manage the money that was left over after paying her monthly bills.*

*I appreciate that Lloyds' intention was to help Miss K. However, the support Lloyds chose to provide seemed better suited to a customer in financial hardship, rather than Miss K who was struggling to manage her discretionary spending. This resulted in some unintended consequences, resulting in a lot of confusion and frustration for Miss K. I also think Lloyds' communication with Miss K should have been clearer.*

#### Correspondence from Lloyds

*Miss K has raised concerns that Lloyds recorded incorrect information about her which she says is fraudulent. Having reviewed all the information available to me, I'm not persuaded this is the case. However, I do understand why Miss K is under the impression that it did.*

*I can see Lloyds sent Miss K several letters when it applied the 30-day hold on her account and when it removed it. These look like standard letters that didn't fit Miss K's situation. For example, on 28 May 2021 Miss K was sent a letter saying: "We've frozen interest on your overdraft for the time being. As you're in financial difficulty, we've stopped charging interest on your arranged overdraft for now". At the top of the letter it says the balance is "£-1,121.95" and the amount due is "£0.00".*

*I can see why this letter may have led Miss K to believe that Lloyds was saying she owed over a thousand pounds on her overdraft. But I think the negative balance actually meant her current account was over a thousand pounds in credit at the time the letter was sent. Her bank statement shows she had a balance of £1,121.95 on that date.*

*Letters dated 6 August and 20 August 2021 informing her that her arranged overdraft interest rate was returning to normal say: "To help you repay the unarranged overdraft on your account, we temporarily stopped charging interest on your arranged overdraft." Again, this letter didn't fit Miss K's circumstances because she wasn't in an unarranged overdraft when the hold was put on the account.*

*So, I think it's understandable that Miss K was confused by these letters and Lloyds could have done more to explain to her what to expect.*

#### Communication over the phone

*Miss K has also complained about difficulties she experienced when speaking to Lloyds over the phone. She was concerned to find that her account had been moved to Lloyds' collections department when she phoned a couple of weeks after the hold was put on her account. Lloyds says this department has the ability to apply the 30-day hold, which I can understand. But I think it should have done more to explain this to Miss K, who was understandably alarmed to be told that her accounts were "in collections".*

*From what Miss K has said and what Lloyds has noted there also seems to have been some confusion about why Miss K's account was with the collections team. This meant that Miss K often had to repeat what she'd previously said about her circumstances.*

### Late payment on credit card

*In phone conversations, Lloyds told Miss K that she'd missed a payment on her credit card, but she couldn't remember this happening and it didn't appear on her credit file. I've reviewed Miss K's account history and it looks like no payment was made to her credit card in January 2021. Lloyds' system notes suggest the direct debit set up to pay her credit card didn't go through because she was very close to her overdraft limit. I found another direct debit was also returned around that time. Lloyds has provided a letter dated 22 January 2021 informing Miss K of the missed payment, but I can't see that it recorded this with the credit reference agencies. On balance, I think Miss K did miss this payment. By sending the letter to Miss K, I think Lloyds did enough to notify her, but I think Lloyds could have done more to explain what had happened after she queried this over the phone.*

### Internal marker

*In its final response to Miss K's complaint Lloyds said it had applied an internal marker to help it identify when additional support may be required or when further lending may not be suitable. It said it would remove the marker once her accounts continued to be managed well.*

*Lloyds says it removed the marker the same day the final response was sent. However, it hasn't been able to persuasively explain why it was added in the first place. While I understand why it may have been appropriate for Lloyds to add an internal marker to show Miss K had requested help managing her money, I think Lloyds should have explained this more clearly to Miss K to better manage her expectations when it came to further borrowing.*

*Miss K believes the only reason she wasn't able to increase her overdraft limit and top up her loan was because of the hold Lloyds applied to her account. Lloyds says no applications are guaranteed and a number of factors are considered. Lloyds has also said that this particular marker prevents overdraft limit increases, so I think it's likely to have affected the outcome of Miss K's overdraft applications. But I can't say whether those applications would have been accepted without the marker, for the same reason Lloyds has given – that a number of other factors are taken into account when a business decides whether or not to lend. Miss K says she didn't go ahead with her loan application because she was worried it would also be declined. But, again, I can't say whether that application would have been accepted, for the same reason.*

### Credit card limit reduction

*Miss K has said she's unhappy with Lloyds' decision to reduce her credit card limit. She says Lloyds didn't make it clear that this could happen. Businesses are generally allowed to lower credit limits and there can be several reasons for this. In this case, Lloyds has said that it told Miss K that it might review her limit, and it reduced the limit in order to abide by its obligations as a responsible lender. The terms of Miss K's account also allowed Lloyds to do this. Having listened to the May 2021 call, I'm satisfied Lloyds told Miss K that the hold might trigger a review of her limit. So, on balance, I think Lloyds acted reasonably by reducing the limit.*

### Conclusion

*Overall, I think Lloyds wanted to help Miss K but didn't properly tailor or explain its support. This led to a number of actions and conversations that caused Miss K confusion and frustration over a sustained period of time. I think this particularly affected Miss K because of her memory problems, which Lloyds was aware of. Miss K had also made Lloyds aware that she'd experienced mental health issues in the past and her finances were a big part of*

*these. She says she broke into tears on several occasions whilst on the phone to Lloyds. So, based on what I've seen so far, I intend to direct Lloyds to pay Miss K £300 in total to compensate her for the distress and inconvenience she's experienced. This includes the £100 Lloyds has already offered her in relation to this complaint."*

I set out what I intended to direct Lloyds to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

## **Responses**

Miss K and Lloyds both agreed with the findings I'd reached in my provisional decision.

## **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.

As both parties agree with the conclusions I reached in my provisional decision, I see no reason to change them.

## **Putting things right**

Lloyds should pay Miss K a total of £300 for distress and inconvenience.

## **My final decision**

For the reasons I've explained, I uphold Miss K's complaint and direct Lloyds Bank PLC to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 30 December 2022.

Anne Muscroft  
**Ombudsman**