

The complaint

Mr D complains Lloyds Bank PLC increased his credit card limit even though he had a gambling problem.

What happened

Mr D held a credit card with Lloyds, which had a £6,750 credit limit. The limit was increased to £7,750 in November 2015, then to £8,250 in August 2016. Mr D said these increases shouldn't have been agreed as it was clear he had a gambling problem.

Mr D complained to Lloyds and it responded, in November 2021, to say it had carried out appropriate checks. Lloyds said Mr D had passed these checks and he'd proactively managed his credit card limits. Lloyds didn't think the lending it had given was unaffordable.

Unhappy with this answer, Mr D brought his complaint to this service. An adjudicator looked into things and thought Mr D's complaint should be upheld. The adjudicator thought the increase to £7,750 was unaffordable, so Lloyds should refund any interest and charges Mr D had incurred on lending over £6,750.

Lloyds didn't agree but said it would accept the adjudicator's findings. Lloyds said Mr D hadn't exceeded £6,750 on his credit card, so there were no interest or charges to refund.

Mr D said he'd been sent numerous texts to show he was nearing, or had exceeded, the increased limits. Mr D said although his monthly statement balances were less than £6,750 his balance fluctuated through the month.

Mr D also said Lloyds' own terms and conditions state it might reduce credit card limits if large gambling transactions are made.

Mr D felt the impact of Lloyds' decision to increase lending had an impact on his financial situation and Lloyds should refund the capital increases not just the interest.

Mr D asked for an ombudsman to decide things. Although I broadly agreed with the adjudicator, I thought Lloyds there were further credit limit increases which hadn't been considered, so I provisionally decided Mr D's complaint.

My provisional decision

It's clear Mr D was gambling very large amounts of money. In November 2016 there's over £10,000 of gambling transactions. Mr D was able to clear his credit card most months.

Lloyds' response to the adjudicator's assessment was it accepted the outcome, but felt gambling was a legitimate activity and wasn't Lloyds' place to take a moral stance on it. But Lloyds has an obligation to ensure credit limit increases are affordable and responsible.

Lloyds said it carried out checks, and I have no reason to doubt that. But even the most cursory check of Mr D's credit card statements would have shown a significant amount of

money spent on gambling.

And I think it's reasonable to expect Lloyds to check Mr D's statements before agreeing significant credit limit increases. UK Card Association's guidance on credit limit increases says one warning sign Lloyds should look out for is frequent use of cash.

Mr D's gambling transactions were attracting cash fees, so I think Lloyds was on notice that it needed to carefully consider any credit limit increases. I think it would have been reasonable, as part of that consideration, to look at Mr D's statements.

I agree with the adjudicator, I think it should have been clear to Lloyds, in November 2015, that Mr D had a problem with gambling. I don't think Lloyds should have increased Mr D's credit limit after November 2015.

And this is where I feel the adjudicator's assessment should have gone further. Mr D reduced his credit limit to £3,000 in October 2016. But Mr D then increased it to £5,000 in February 2017, and again to £6,000 in October 2017.

Mr D reduced his credit limit to £1,000 in December 2017, increased it to £1,900 in March 2018 and closed the credit card in August 2018.

I don't believe it was fair for Lloyds to agree any increases in Mr D's credit limit after November 2015. And this includes any increases after Mr D reduced his limit.

Because of this, I think Lloyds needs to refund any interest it charged on balances in excess of £3,000 between October 2016 and December 2017. And I think it needs to refund any interest it charged on balances in excess of £1,000 between December 2017 and the closure of the credit card.

Mr D thinks he should be refunded the capital amounts spent on gambling with Lloyds' credit card. The approach this service generally takes is money borrowed on a credit card is repayable, so I don't think it would be fair for Lloyds to write off any of the spending.

As a service we look at every complaint on its individual merits, and each consumer's set of circumstances is different. Considering everything Mr D and Lloyds has said, I think a refund of any interest and charges is a fair resolution for this complaint.

Responses to my provisional decision

Lloyds said in an effort to draw things to a close it would agree to refund the interest and charges I thought it should.

Mr D said Lloyds should refund any cash advance fees as it shouldn't profit from his gambling.

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 don't think Lloyds needs to refund the cash advance fees. The gambling transactions were

made prior to any rules stopping gambling transactions on credit cards, so I don't think Lloyds should have stopped Mr D gambling on his credit card.

But Lloyds should have stopped Mr D being able to borrow more, after November 2015.

I still don't think Lloyds needs to write off any of the capital amounts spent on Mr D's credit card, and this includes cash advance fees. My final decision is unchanged from my earlier provisional decision.

My final decision

My final decision is I uphold Mr D's complaint and Lloyds must

- refund any interest and charges applied on balances in excess of £6,750 between November 2015 and September 2016
- refund any interest and charges applied on balances in excess of £3,000 between October 2016 and December 2017
- refund any interest and charges applied on balances in excess of £1,000 between December 2017 and the closure of the card

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 17 January 2023.

Chris Russ
Ombudsman