

The complaint

Ms D complains Lloyds Bank PLC (Lloyds) unfairly closed her credit card account.

What happened

Ms D held a credit card account with Lloyds for some years. Around November 2020, Lloyds considered the account to be in persistent debt. Over the next couple of years, they sent correspondence to Ms D saying she needed to increase her monthly payments otherwise further action would be taken.

As the monthly payments weren't increased, Lloyds closed the account around August 2022. Ms D complained. She said she had been a loyal customer who had paid the minimum amount each month and she wasn't made aware the account would be closed. To put things right, she wanted the account to be reinstated and for the interest to be waived.

Lloyds said they had identified Ms D's account as being in persistent debt as defined by the rules of the financial regulator and they sent letters confirming the same. They asked that she pay more than the minimum payment but as that hadn't happened, they closed the account.

Unhappy with their response, the complaint was referred to our service. Our investigator said Lloyds had fairly applied the rules related to those in persistent debt and their letters made it clear the account would be closed should Ms D not increase the payments.

Ms D disagreed. She maintained her stance. She also commented she had changed address so she hadn't received Lloyds letters.

As an agreement couldn't be reached, the complaint has been referred to me to decide.

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'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've decided not to uphold Ms D's complaint. I'll explain why.

In 2018, the financial regulator (The Financial Conduct Authority) issued rules for financial businesses to follow where a customer is in persistent debt. The rules say persistent debt is when a consumer has paid more in interest, fees and charges than they've repaid towards the capital they owe over the previous 18 months. I must stress the purpose of these rules was to ensure consumers (especially those in financial difficulty) pay less in interest overall and lower their overall indebtedness.

As a result, businesses were required to assess whether a customer falls within this definition at least once a month. The rules also say where persistent debt continues to apply, they should write to the consumer at 18, 27 and 36 months.

Having carefully reviewed Ms D's statements, the amount she was paying and the interest charged, I find Lloyds correctly identified her account as being in persistent debt. In line with the above rules, they sent their first persistent debt letter around November 2020 (18 month stage). I've read the contents of the letter Ms D would've received. Having done so, I'm satisfied it made it clear they considered the account to be in persistent debt. It explained by increasing the monthly payments the balance would clear sooner meaning less interest paid. It said Lloyds would be in contact in nine months time to see how things were going but if after 18 months it remained in persistent debt, they may stop the card or lower the credit limit. Lastly, the letter said there would be more reminders and suggestions to help.

Based on the evidence presented to me, I can see that happened. Lloyds sent a number of further letters about the account being in persistent debt in September 2021, April 2022, June 2022, July 2022 and August 2022. Similar to the initial letter, I'm satisfied Lloyds was clear about what Ms D needed to do. On each occasion, it reiterated if the payments weren't increased, they may close the account. On that basis, I can't say Lloyds didn't outline the potential consequences to Ms D should she not take the relevant action. The letters also invited her to contact them to discuss how much she would need to pay to get the account back on track. However there is insufficient evidence she did so. I can see the last letter sent in August 2022 confirmed she could no longer spend on the card.

I note Ms D's comments that she hadn't received these letters as she had moved address. It's unclear when exactly she moved but from my understanding it was a couple of years ago. However Lloyds system records show they were notified of a change of address in November 2022 which was after the account was suspended. If Ms D had moved earlier, I find it was her responsibility to let Lloyds know her up to date contact details. I can't say Lloyds did anything wrong by sending the persistent debt letters to the address they held for her at the time.

Moreover, from around July 2022 I can see the monthly statements, which were made available online and via the app, not only outlined the minimum payment (approximately £40 to £50) but they also provided a recommended payment amount (around £70). The statements explained what this meant and if paid each month over approximately 40 months, the balance would be cleared. So in addition to the above letters, I find the statements also made it clear the account was in persistent debt and provided reminders for Ms D to take action.

Having reviewed Ms D's payment history, although I accept she paid a little over the minimum amount (usually around one or two pounds more), it's evident this was a lot less than the recommended payment amount as suggested by Lloyds. So I can understand why they continued to identify the account as being in persistent debt.

It's unclear whether Ms D couldn't pay more because she couldn't afford to do so or there was any other reason. Therefore I've also thought about whether Lloyds was told by Ms D or ought to have known she may have been struggling financially and needed support. However based on the evidence I've seen, I'm not persuaded there was enough evidence to indicate she was struggling financially. I also note when Ms D complained to Lloyds, she told them she wasn't experiencing financial difficulty and she was up to date with her bills.

As Ms D didn't increase her monthly payments enough to take the account out from being in persistent debt, I find Lloyds took a fair course of action by stopping use of the card. This

was in line with what they said they may need to do and the terms allows them to do so. I can't say they did anything wrong. Lloyds sent a further letter confirming the same and said the account may close once the balance was cleared by Ms D but in the meantime, the interest rate will be lowered. I find this was another fair measure by Lloyds to reduce the amount Ms D owes.

In summary, I'm satisfied Lloyds correctly applied the relevant rules applicable to accounts in persistent debt. They acted fairly by sending letters and statements to Ms D about it and the action she needed to take. As this wasn't followed by Ms D, I find they acted reasonably by making the decision to stop Ms D's use of the card and they are entitled to say she needs to repay the outstanding balance.

I appreciate Ms D will be disappointed by my outcome but I hope she accepts my reasons for doing so. If she hasn't done so already, I strongly encourage her to work with Lloyds to determine how much she can afford to pay each month in order to clear the balance.

My final decision

For the reasons set out above, I've decided not to uphold Ms D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 31 October 2023.

Simona Reese
Ombudsman