

The complaint

Mr J complains that Lloyds Bank PLC lent irresponsibly when it approved his credit card application and went on to increase the credit limit on various occasions.

What happened

Mr J successfully applied for a credit card with Lloyds in April 2010 and was given a £500 credit limit. Over the years, Lloyds increased the credit limit several times. By September 2016 the credit limit had increased to £6,100. Between January 2018 and October 2019 the credit limit was increased from £7,100 to £9,100. The credit limit was reduced in stages to £8,600 by January 2023.

Last year, Mr J complained to Lloyds that it had lent irresponsibly in relation to his credit card. Lloyds' initial response said Mr J had waited too long to complain about the original credit card application as it was only required to look back six years by the industry regulator. But Lloyds issued a follow up final response in February 2023 that looked at the credit limit increases in the six years before Mr J complained. Lloyds said it should've been evident in January 2018 further credit limit increases weren't affordable and that Mr J appeared to have been in a cycle of debt. Lloyds agreed to refund £4,990.53 of interest applied to Mr J's credit card from January 2018 and paid him £200 for failing to address the credit limit increases in its first final response. Lloyds also advised it was withdrawing the credit card which would mean no further interest would be applied to the outstanding balance.

An investigator at this service looked at Mr J's complaint. They thought Lloyds' offer was fair and didn't ask it to take any further action. Mr J asked to appeal and said that despite upholding his complaint and making an interest refund he still owes around £3,000 to Lloyds. As Mr J asked to appeal, his complaint has been passed to me to make a 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.

When Lloyds issued its initial final response it focused on the original credit card application Mr J made. And it confirmed that the rules set by the Financial Conduct Authority meant it will only look at lending decisions made in the six years before a complaint is made. As Mr J's original application was made in 2010, around 12 years before he complained, Lloyds advised the deadline to complain had passed.

After Mr J referred his complaint to us, Lloyds looked back at his credit card and the credit limit increases it approved in the six years before he raised his concerns. Lloyds has confirmed it has upheld Mr J's complaint about irresponsible lending in terms of the credit limits that took place from January 2018 onwards. Lloyds says it reviewed Mr J's bank account along with his credit card history and found he appeared to be caught in a cycle of debt and shouldn't have increased the credit limit further.

In line with the investigator's review, I've looked at the credit limit increases that took place in the six years before Mr J complained to Lloyds.

Our approach to considering complaints about unaffordable and irresponsible lending is set out on our website. I've taken our approach into account when reviewing Mr J's complaint. In summary, before providing credit, lenders need to complete reasonable and proportionate affordability checks. There isn't a set list of checks a lender is required to carry out, but it needs to ensure the checks are proportionate when considering things like: the type and amount of credit being provided, the size of the regular repayments, the total cost of the credit and the consumer's circumstances.

As a lending relationship continues over time and the level of credit increases, lenders may need to obtain further information from a borrower to check whether they're lending responsibly and that the repayments are sustainable for the customer.

I agree with Lloyds that it ought to have completed more comprehensive checks before increasing Mr J's credit limit to £7,100 in January 2018. At this point, Mr J's credit card had been open for around eight years and Lloyds hadn't asked for further information about his circumstances or finances. Lloyds has since looked back at Mr J's bank account and agreed there were signs he was struggling and that it shouldn't have increased his credit limit. As Lloyds has already upheld Mr J's complaint about the credit limits from January 2018 onwards, as set out above, I'm satisfied it's dealt with his concerns fairly.

Lloyds has already refunded £4,990.53 to the outstanding balance of Mr J's credit card. I know that's left an outstanding balance and Mr J has raised concerns about whether he can afford to repay it. But Lloyds has already confirmed it's withdrawn the credit card agreement which means no further interest will be applied to the balance, increasing it further. And Lloyds has given details of its support team as well as other organisations that can offer advice if Mr J is experiencing financial difficulties. So whilst I understand Mr J is concerned about being able to afford repayments, I'm satisfied Lloyds is willing to deal with him fairly and provide support.

Lloyds initially failed to deal with Mr J's complaint in full and focused on the original credit card application. But Lloyds has subsequently paid Mr J £200 to apologise for the distress and inconvenience caused. In my view, the £200 settlement paid fairly reflects the inconvenience caused by the way Lloyds initially responded to Mr J's complaint.

As I'm satisfied Lloyds has already agreed a settlement that is fair and reasonable in all the circumstances.

My final decision

My decision is that Lloyds Bank PLC has already agreed a settlement that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 6 June 2023.

Marco Manente
Ombudsman