

The complaint

Mr S complains that Lloyds Bank PLC reduced the limit on his credit card on two occasions without giving prior notice.

What happened

Mr S holds a credit card account with Lloyds. The card was taken out many years ago, and it seems Mr S had a credit limit of £17,000 for some time, which was then reduced to £14,950 in June 2022. In December 2022, Lloyds reduced Mr S's credit limit again to £3,450. They said Mr S could request for his credit limit to be reviewed, but that an increase wasn't guaranteed, and would be subject to any information obtained during a credit search. Lloyds then reduced Mr S's credit limit again to £2,350 in June 2023, so Mr S contacted Lloyds and explained this caused him embarrassment when a payment he made to a supplier failed. He requested for his limit to be reviewed, and increased to the former £3,450, but this request was declined. So, Mr S complained about the December and June limit decreases, and how he'd been spoken to by Lloyds.

Lloyds responded and explained that as a responsible lender, they regularly review customers' accounts and information and complete internal checks. They said they also check customers' credit files for any changes or risks, and make decisions based on what they think is best for their customers and for them as a lender. They said that based on these checks, they felt they were right to reduce Mr S's credit limit to £2,350. Unhappy with this, Mr S brought his complaint to our service.

An investigator considered Mr S's complaint, but was satisfied that the terms of the account allowed Lloyds to decrease Mr S's credit limit as they saw fit. So, he didn't recommend the complaint be upheld. But Mr S remained unhappy, so the complaint has been passed 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.

It seems, from the evidence provided, that Mr S's credit limit was previously set at £17,000, and this was then reduced to £14,950 in June 2022. Mr S hasn't complained about this limit reduction, but I've mentioned it here to help provide some background. Lloyds then reduced Mr S's limit further in December 2022, and June 2023, and said that they did so based on information available to them at the time. Mr S said that reducing his limit with no prior notice put him in an unfair position. So, I've looked at what the terms of his account allow.

Section B1 – “Your credit limit” sets out:

“We may reduce your credit limit. Section B8 explains in more detail when we may make this change and how we will tell you about it. We may also limit your ability to use your card where it is not practical for us to give advance notice - even if you have not used your full available credit - if we reasonably believe there is a significantly increased risk that you will

not be able to repay what you owe. If we do this, we will tell you as soon as possible afterwards. Also, we will show the amount we will let you spend on your statements and on Internet Banking immediately.”

Section B8 – “*Why may we make a change?*” goes on to state:

“b) We can make changes (except changes to default charges) if our view of your ability to pay us what you owe on time changes. This may be because of things that are personal to you such as whether or not:

- you have broken this agreement, for example if you have missed payments, gone over your credit limit several times or a payment you make to us is not honoured;*
- the types of transaction you make (or their value or frequency) indicate riskier behaviour, for example if you make unexpectedly high cash withdrawals or large gambling transactions;*
- you have broken the conditions of another agreement you have with us or another part of Lloyds Banking Group;*
- we are told by credit reference agencies about changes in your financial status.”*

So, from what’s been set out within the terms, I’m satisfied Lloyds were entitled to limit what Mr S could spend on his card without giving advance notice, and to reduce his credit limit where they have concerns about his ability to repay. From what I’ve seen, I’m satisfied Lloyds acted within those terms when they chose to reduce Mr S’s credit limit to £3,450, and then again to £2,350.

While Mr S hasn’t specifically complained about this, I’ve also thought about why Lloyds initially only decreased Mr S’s credit limit from £17,000 to £14,950, given their concerns. But I can see from the system notes provided that it appears Mr S paid around £14,000 off his card in 2022. So, it would seem that Lloyds reduced his limit by a smaller margin so as not to put him over his credit limit while his balance remained high.

I can also see that Mr S is unhappy with how he was spoken to in relation to the credit limit decrease. I’ve now had a chance to listen to the call, and it’s clear that Mr S is upset that his limit was decreased; and that Lloyds were unable to increase it back to his previous limit based on information they said they’d obtained from a credit search. But while I appreciate this wasn’t the answer Mr S was hoping for from the call, and that it was this call that prompted the complaint, I don’t think that the advisor was unsympathetic or rude in any way. Rather, I think they were providing Mr S with factual information, which unfortunately on this occasion was not what Mr S was hoping to hear.

I appreciate this is not the outcome Mr S was hoping for, but I hope I have been able to explain clearly why I’m satisfied that Lloyds did not act unreasonably on this occasion. And therefore, why I won’t be asking Lloyds to do anything further.

My final decision

My final decision is that I do not uphold Mr S’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 14 March 2024.

Brad McIlquham
Ombudsman