

The complaint

Miss I complains that Lloyds Bank PLC ('Lloyds') irresponsibly granted her credit on a credit card that she couldn't afford to repay.

What happened

In October 2010 Miss I took out a credit card with Lloyds. Her credit limit was later increased on various occasions, including reaching £13,000 in April 2016, £14,250 in November 2016 and £15,000 in June 2017.

Miss I says Lloyds didn't complete adequate checks when it increased the credit limits on her card and it failed to properly look into her financial situation.

Our investigator partly upheld the complaint, finding that Lloyds acted unfairly in its decision to grant any credit limit increases from April 2016, when the credit limit was increased to £13,000.

Lloyds has accepted the uphold finding and has provided its compensation calculation. It has confirmed it will use the total refund, including interest, by way of set off against what Miss I currently owes on her card.

However, Miss I is unhappy with the proposed level of compensation and so has asked for it to be reviewed by an ombudsman. The complaint has therefore been passed to me to look at the question of what Lloyds needs to do to put things right and whether its offer is fair.

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.

We've set out our general approach to complaints about unaffordable and irresponsible lending - including the key relevant rules, guidance and good industry practice - on our website and I've taken that into account when I have considered Miss I's complaint.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I've noted that in the offer, Lloyds has agreed to compensate Miss I by offering her a refund of interest and charges from the date of the credit limit increase in April 2016, when Miss I's credit limit was increased from £12,000 to £13,000. This will be paid by way of a set off and so will have the effect of reducing the current outstanding balance on Miss I's credit card account. And once the outstanding balance has been paid, Lloyds will also remove any negative data relating to the account from Miss I's credit file. I understand the card account has now been closed and so the card can no longer be used.

It is not my role to check the correctness of the calculations for the compensation. It is however open to Miss I to seek further clarification from Lloyds should she wish to. What I *can* say is that basis of the calculation is in line with the redress we ask businesses to pay and reflects the particular circumstances of the account.

Miss I has provided further information about her financial situation. I am sorry to learn of the financial difficulties she has experienced in the past and the impact this has had on her personal well-being. I understand she is disappointed because she had an expectation that the compensation would be higher. This arose from a miscommunication with our investigator. Our investigator has apologised for what happened and has explained our general approach to redress in cases of this nature.

I would only add that I expect Lloyds to continue to act with appropriate forbearance in seeking to assist Miss I in her efforts to find a fair and manageable way to pay back the balance that is still owing on her account, with a view to agreeing a repayment plan.

Putting things right – what Lloyds need to do

- Rework Miss I's account to ensure that from April 2016 onwards interest is only charged on the credit limit in place before that date, being £12,000, to reflect the fact that no further credit limit increases should have been provided. All late payment and over limit fees should also be removed; and
- If an outstanding balance remains on the account once these adjustments have been made Lloyds should contact Miss I to arrange an affordable repayment plan for the account. Once Miss I has repaid the outstanding balance, it should remove any adverse information recorded on Miss I's credit file from April 2016.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance (although from my understanding this is unlikely), then any extra should be treated as overpayments and returned to Miss I, along with 8% simple interest per year on the overpayments from the date they were made (if they were) until the date of settlement. Lloyds should also remove any adverse information from Miss I's credit file from April 2016.†

†HM Revenue & Customs requires Lloyds to take off tax from this interest. Lloyds must give Miss I a certificate showing how much tax it's taken off if she asks for one.

My final decision

For the reasons I've set out above, I'm partly upholding Miss I's complaint. Lloyds Bank PLC, trading as Lloyds, should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 9 May 2024.

Michael Goldberg
Ombudsman