

The complaint

Miss A complains that Lloyds Bank PLC unfairly reduced the limit on her credit card. Miss A also complains that Lloyds won't consider increasing the credit limit without carrying out a full credit search.

What happened

Miss A has a credit card with Lloyds that previously had a credit limit of £7,000. In December 2023 Lloyds took the decision to reduce Miss A's credit limit to £800. Lloyds sent Miss A a text message and also wrote to her to confirm the new credit limit.

Miss A complained to Lloyds and it issued a final response on 15 February 2024. Lloyds explained it's obliged to lend responsibly and that it had completed a review of Miss A's credit card before deciding to reduce the credit limit. Lloyds added that its lending team could carry out a manual review of Miss A's credit limit to see if it could be increased but that it would require a "hard" credit search to be carried out.

Miss A referred her complaint to this service and it was passed to an investigator. In Miss A's file submission, she explained that a utility supplier had incorrectly recorded a default on her credit file. Miss A supplied evidence that a complaint against her utility supplier had been upheld and it was directed to remove the default from her credit file. Miss A said she didn't think it was fair for Lloyds to insist on completing a hard credit search in order to decide whether to increase her credit limit given the default was recorded against her in error.

The investigator wasn't persuaded it was unreasonable for Lloyds to carry out a hard credit search before deciding whether to increase Miss A's credit limit and didn't uphold her complaint. Miss A asked to appeal, so her 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.

I can understand why Miss A is frustrated that her credit limit was reduced by Lloyds after her utility supplier recorded a default on her credit file in error. Miss A has forwarded the outcome of her complaint against the utility supplier that confirms the default was registered in error and should be removed. And the credit file information Miss A has forwarded to us doesn't appear to show any other adverse information. But in this decision, I need to consider whether Lloyds was acting fairly at the time it reduced Miss A's credit limit and whether it's requirement for a hard credit search before deciding whether to increase it is reasonable.

Lloyds' credit card terms and conditions explain it can change the credit limit at any time. The terms say that one of the reasons Lloyds can take the decision to decrease a credit limit is if it's told by the credit reference agencies about a change in the borrower's financial status. Here, when the utility supplier recorded a default on Miss A's credit file and Lloyds

went on to complete a review of her account, it appears the new adverse information formed part of the decision to reduce the credit limit. So, on the face of it, I haven't seen anything that indicates Lloyds has acted outside of the relevant terms.

I accept the default was registered in error. But that information wasn't available to Lloyds at the time it reviewed Miss A's credit card. And I'm satisfied it was reasonable for Lloyds to rely on the information it obtained from the credit reference agencies when completing its review. I'm pleased Miss A was subsequently able to get the default removed from her credit file, but I haven't been persuaded it was unfair or unreasonable of Lloyds to take it into account when deciding whether to continue lending on the same terms. I'm very sorry to disappoint Miss A but I'm satisfied Lloyds acted fairly when it reduced her credit limit.

Lloyds has confirmed it's willing to relook at Miss A's credit limit on the basis it can carry out a hard credit search – that will be recorded on her credit file. Miss A's explained her view is that because the underlying issue was a mistake and no hard credit search was carried out before the credit limit was reduced, it's unfair for Lloyds to insist on one now to put it back up. But Lloyds is obliged to lend responsibly. And it can't approve a higher credit limit until it's got a full picture of Miss A's circumstances, including how her credit has been administered. To do that, Lloyds has explained it needs to carry out a full credit search and apply its lending criteria. So whilst I understand why Miss A is reluctant to proceed on that basis, I haven't been persuaded that Lloyds' request is unfair or that there are grounds to tell it to put the previous credit limit of £7,000 in place without carrying out another credit search. I leave it to Miss A to decide how she wishes to proceed.

I'm very sorry to disappoint Miss A but for the reasons noted above I haven't been persuaded to uphold her complaint.

My final decision

My decision is that I don't uphold Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 25 July 2024.

Marco Manente
Ombudsman