

## **The complaint**

Mr M complains that Lloyds Bank PLC unfairly reduced his credit limit on his Lloyds credit card

## **What happened**

Mr M says that he made a payment of £1,000 to his Lloyds credit card on 28 February 2024, as he was going to make a card payment for a new payment. When he attempted to make the new payment to a third party insurer, the transaction was declined. Mr M says he received a text message that Lloyds had reduced his credit limit on the credit card.

Mr M says he tried to reverse the payment he made, but this was declined by Lloyds even though he says he was informed if the money had been transferred from another bank this would have been possible. Mr M says he had not received any notification from Lloyds about the pending credit limit reduction. He says he was asked to contact a Credit Reference Agency (CRA) about this, but they told him it was Lloyds' decision to reduce the credit limit. Mr M made a complaint to Lloyds.

Lloyds partially upheld Mr M's complaint. They sent him a cheque for £100 and they said they gave Mr M incorrect information when he rang them on 2 March 2024, as they made the decision to lower his credit limit, not the CRA. Lloyds said Mr M's credit limit was reduced following a review but reversing the payment he made was not possible as following the reduction of the limit, the account would have gone into arrears. They said having treatment plans in place on any of his accounts with them may have influenced their decision to reduce the credit card limit, and when a customer tells them they are in financial difficulty they have a duty of care to reduce any further borrowing. Mr M brought his complaint to our service.

Our investigator did not uphold Mr M's complaint. He said Lloyds acted in line with the terms of the credit card when they reduced the credit limit. Mr M asked for an ombudsman to review his complaint. He told us about the impact the credit limit reduction had on him. Mr M also says that if he didn't have all of his accounts with Lloyds he would have been able to reverse the cash payment made to his credit card, allowing him time to absorb the reduction imposed by Lloyds.

## **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.

Firstly, I'm aware that I've only summarised Mr M's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to explain to Mr M that it is not within this service's remit to tell a business how they should run their policies and procedures, such as when and in what circumstances they can

change a customer's credit limit. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Lloyds to make changes to their policies and procedures, if necessary.

I've noted the strength of feeling that Mr M has about the reduction of the credit limit. After all, he made a much larger payment than he normally would, and after he had already made a payment to the account in the same statement period, with the intention of using the card to pay an insurer. But while Lloyds decision to reduce the credit limit impacted Mr M, this doesn't necessarily equate to Lloyds making an error in reducing the credit limit or mean that Lloyds had no right to reduce the credit limit.

I say this because the terms of the account – which Mr M would have needed to agree to, sets out that Lloyds *"can change your credit limit at any time"*. The terms also state that *"We may reduce your credit limit"* and *"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"*.

So as Lloyds reasonably believed there was a significantly increased risk that Mr M wouldn't be able to repay what he owed, (possibly based on him telling them he had financial difficulties with other accounts he had with them), they reduced his credit limit, in turn limiting the use of his card as he wasn't able to use the full credit limit which was in place prior to the credit limit reducing. They notified Mr M about this on the same day the credit limit was reduced. So I can't reasonably say that Lloyds acted outside of the terms and conditions here.

I know Mr M strongly feels the timing of the reduction was unfair. And while I understand why he feels this way, and I can empathise with what his intentions were in paying a lump sum to his account, I'm not persuaded that Lloyds were unfair here. I say this because I wouldn't expect Lloyds to reduce Mr M's credit limit to a point where he would owe more than a reduced credit limit. That would be unfair. So Lloyds needed to wait until Mr M's outstanding balance was reduced before they could impose the credit limit reduction. That is why they reduced his credit limit so soon after Mr M made the larger repayment.

Although Mr M has said he'd already made a repayment that month, a customer is able to repay more than one payment in a statement period, otherwise it would be unfair for a bank to not allow a customer to make further payments which would limit the amount of interest they were charged. So this would have no bearing on what happened here.

I've considered what Mr M has said about if he didn't have all of his accounts with Lloyds then he would have been able to get a refund into an external account. I asked Lloyds about this. They confirmed that this isn't correct because if this had been agreed, he would have been over his reduced credit limit as well as being in arrears. So I'm persuaded that a payment reversal could have also impacted Mr M's credit file if adverse information was recorded about him being in arrears, and over his limit. The terms don't state that any credit limit reductions must be staggered. So I can't say Lloyds were unfair by not allowing a refund and staggering his credit limit decrease.

Mr M was also told this on the call he had with Lloyds on 2 March 2024, just after his credit limit had been reduced. Although the call handler did try and reverse the payment, Lloyds' system declined this. The call handler told him this is because the reversal would take him over his credit limit and impact his credit file. He was not told on this call that this was because he had all of his accounts with Lloyds. The call handler did try and find out what

they could do for Mr M's financial difficulty, but Mr M decided he didn't want to talk to another call handler.

But Mr M was told incorrect information on this call regarding that it was the credit reference agencies (CRA's) who told Lloyds to reduce his credit limit. This was incorrect, as it was Lloyds' decision to reduce his credit limit. This incorrect information distressed Mr M, and he was inconvenienced as he then talked to one of the CRA's, who wouldn't be able to tell him why Lloyds reduced his credit limit.

Lloyds sent Mr M a cheque for £100 for the poor customer service given to him on the 2 March 2024 call. I'm satisfied that this is fair, and it reflects the impact that the wrong information had on Mr M. He wouldn't have been able to get the large payment reversed even if he had been told that it was Lloyds who lowered his credit limit, but at least he wouldn't have had to ring the CRA. So as Lloyds have already paid this to Mr M, it follows that I don't require Lloyds to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 September 2024.

Gregory Sloanes  
**Ombudsman**