

## **The complaint**

Mr S complains that Lloyds Bank PLC has increased the arranged overdraft interest rate on his account and won't tell him the reason for the increase.

## **What happened**

Mr S holds a Lloyds Classic account with an arranged overdraft facility of £1500.

In May 2024 Lloyds wrote to Mr S and advised him that the interest rate on his overdraft was going up. The letter advised Mr S that from 2 August 2024 his arranged overdraft interest rate would go up to 44.9% and then from 31 January 2025 it would increase to 49.9%. The letter also advised Mr S that his existing arranged overdraft limit would stay the same.

Mr S complained to Lloyds. He said he wanted to know the reason for the increase.

Lloyds didn't uphold the complaint. It said it reviewed its interest rates annually and that the rate could go up or down based on credit information it held about Mr S and how he used his accounts that he held with Lloyds. Lloyds said it took into account information it held internally as well as information from credit reference agencies. It said it was unable to disclose the specific reason for the increase.

Mr S remained unhappy and brought this complaint to this service.

Our investigator initially upheld the complaint on the basis that Lloyds hadn't acted in line with its lending criteria. However, the investigator subsequently reviewed his opinion and said he wasn't upholding the complaint, because he'd seen further information which satisfied him that Lloyds had changed the interest rate in line with the terms and conditions of the account.

Mr S didn't agree. He said his main concern hadn't been addressed, which was the reason for the increase in the rate. He said that he found Lloyds statement that the increase was due to "information it held about him" worrying. He said he didn't think it was fair that Lloyds wouldn't tell him the reason for the increase.

## **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.

### Has Lloyds acted in line with the terms and conditions of the account?

I've reviewed the terms and conditions of the account. These state (at Section G) that Lloyds can make changes to the interest rate for overdrafts provided that they provide the customer with at least two months' notice before doing so.

Mr S agreed to these terms and conditions when he opened the account.

I can see that Lloyds sent a letter by email to Mr S on 21 May 2024 advising him of an

increase to the interest rate with effect from 2 August 2024. It said the rate would increase again with effect from 31 January 2025 and that it would get in touch with Mr S again at least two months before the rate changed to 49.9%.

Based on what I've seen, I'm satisfied that Lloyds have given Mr S appropriate notice of the changes to the interest rate at least two months in advance, which is in line with the terms and conditions.

I'm therefore unable to say that Lloyds has made an error or acted outside the terms and conditions of the account.

#### Has Lloyds treated Mr S fairly?

Mr S has said that he doesn't think he's been treated fairly because Lloyds won't tell him the specific reason for the changes to the interest rate applicable to his overdraft. He's said he's concerned about the explanation given which was that the changes were because of "credit information we have about you and how you use your accounts".

The decision on whether to extend credit and on what terms is a commercial decision for Lloyds, based on their own lending criteria. Lloyds can change the interest rate applicable to an overdraft (provided it acts in line with the terms and conditions) without giving the customer a specific reason. This is because the reason is considered to be business sensitive information.

In Mr S's case, Lloyds has explained that interest rates can change based on credit information it holds about a customer, and how the account is used.

I appreciate that this has caused Mr S some concern. He's made the point that his personal circumstances haven't changed.

I can't require Lloyds to disclose the specific reason(s) for the change in interest rate for the reason I've explained above. But this service does expect lenders to demonstrate that they've reached the decision fairly. In this case, I'm satisfied that Lloyds has followed its processes and applied its lending criteria fairly.

I can't provide Mr S with the specific reason for the change to his interest rate. However, what I would say to Mr S is that the change isn't necessarily because of something negative on his credit file or in the way he's managed his account. It may be simply that Lloyds has taken a business decision to increase arranged overdraft interest rates as part of a wider commercial strategy.

Ultimately, if Mr S doesn't want to accept the changes to the interest rate, he can close the account without charge. If Mr S is using the overdraft facility, he'll need to clear the balance before he can close the account.

For the reasons I've explained above, I'm unable to uphold this complaint.

#### **My final decision**

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 31 October 2024.

Emma Davy  
**Ombudsman**