

The complaint

Mr T complains about letters he's received from Lloyds Bank PLC about his credit card in which he was asked to increase his payments. He's also unhappy about the amount of interest he's being charged.

What happened

Mr T opened a credit card account with Lloyds in February 2010.

Mr T is unhappy about letters he's received from Lloyds in which they have asked him to pay more than the minimum payment each month. He's also unhappy that a large part of his monthly payment is applied to interest, which he believes has been charged excessively.

Mr T complained to Lloyds and asked for a refund of all the interest he'd paid in the last 18 months.

Lloyds didn't uphold the complaint. In relation to the letters, it said these had been sent to Mr T to encourage him to increase his repayments to reduce his balance. Lloyds explained to Mr T that in the past 18 months he had been paying around the minimum payment which would result in him paying more interest than off his balance. Lloyds said that if Mr T was only able to make minimum payments, then he was still able to do this, but he would still receive the letters as they were automated. Lloyds said the interest charged on Mr T's card was in line with the terms and conditions.

Mr T remained unhappy and brought his complaint to this service. He said he found the letters asking him to increase his payments intimidating and harassing. He said it was his right to pay the minimum payment, and that if Lloyds wanted him to pay more, they should reduce the amount they charged in interest.

Our investigator didn't uphold the complaint. He said he wasn't able to ask Lloyds to reduce the interest being applied as it was part of the agreement. He also said he wasn't able to require Lloyds to stop sending the letters as this was in line with Lloyds obligations as a responsible lender.

Mr T didn't agree so I've been asked to review the complaint,

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 know it will disappoint Mr T but I agree with the investigators opinion. I'll explain why.

I've read and considered the whole file, but I'll concentrate my comments on those points which are most relevant to my decision. If I don't mention a 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.

Correspondence

I've reviewed the letters that Lloyds have sent to Mr T. These have been sent because Mr T's account is in persistent debt.

Persistent debt means that in the last 18 months, the amount that Mr T has paid in interest, fees and charges is bigger than the amount of borrowed money that he has paid back.

Lloyds is under an obligation to send Mr T letters about persistent debt. This is because the Financial Conduct Authority requires a lender to tell a customer if their account is in persistent debt.

I appreciate that Mr T has said that he finds the letters intimidating and harassing. Having reviewed the letters I don't agree that they are inappropriate. But I do understand that Mr T feels that he's received too many letters and texts.

I'm unable to require Lloyds to stop sending the persistent debt letters. This is because all lenders are required to send the letters under the FCA rules. As part of that obligation, lenders are required to ask customers if they can repay more of their debt each month. Lenders are also required to make customers aware of other repayment options and explain what could happen if customers continue to make low repayments.

I agree with Mr T that he's within his rights to pay the minimum payment each month. However, there will come a point at which Lloyds might suspend the card if Mr T ignores the persistent debt letters or doesn't attempt to increase his payments. The suspension of a card is generally a last resort.

Mr T may wish to speak to Lloyds about persistent debt. It might be possible for Lloyds to stop interest and charges and reach an arrangement to repay the balance. This may impact Mr T's credit file though. Alternatively, Mr T may wish to consider ways in which he could pay off the debt quicker by (for instance) moving the balance to a cheaper credit card.

In conclusion, I'm unable to say that Lloyds has made an error by sending the persistent debt letters and I can't require Lloyds to stop sending these in the future.

Interest

Mr T has said that the interest being applied to his account is excessive.

I've reviewed the terms and conditions of the account. Mr T agreed to these when he took out the card. The terms and conditions allow the bank to charge interest.

The only circumstances in which interest isn't charged is where the balance is paid in full each month. In this case, Mr T has only been paying the minimum monthly repayment each month, so interest has been applied to the balance. Based on what I've seen, the interest has been correctly applied in line with the terms and conditions of the card.

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 T to accept or reject my decision before 13 February 2025.

Emma Davy
Ombudsman