

The complaint

Mr J complains that Lloyds Bank PLC defaulted his credit card and closed his account.

What happened

Mr J opened a credit card account with Lloyds in October 2017.

In 2024 the account fell into arrears. A Default Notice was issued on 30 January 2024. Mr J made a payment in February 2024 which cleared the arrears. When the March 2024 statement was produced there were no arrears, but by April 2024 the account had fallen into arrears again.

Lloyds sent arrears letters to Mr J in April, June and July 2024. On 9 July 2024 a 30-day hold was placed on the account following a call from Mr J.

No payments were received. On 11 September 2024 Lloyds issued a Final Demand letter. The account was subsequently defaulted, and the default was recorded on Mr J's credit file.

Mr J complained to Lloyds. He said he hadn't received the Notice of Default and that he'd been going through a difficult time with two family bereavements and the loss of his job. Mr J asked Lloyds to remove the default and allow him to make payments to clear the arrears.

Lloyds issued a final response on 31 October 2024. It said it had sent letters and notices to Mr J about the arrears and explained that it was unable to amend his credit file as the information recorded accurately reflected the account's history.

Mr J remained unhappy and brought his complaint to this service.

Our investigator didn't uphold the complaint. He said that Lloyds had sent a Notice of default to Mr J in January 2024 as well as several arrears letters and that the account had been defaulted correctly.

Mr J didn't agree. He said he'd cleared the arrears in February 2024 and the further arrears were directly related to the distress he was experiencing as a result of bereavements and job loss. Mr J said that Lloyds should've shown forbearance in these circumstances. Mr J also said that he hadn't received the Notice of Default and he asked to see evidence that Lloyds made efforts to contact him by other means such as phone or email.

Because Mr J didn't agree 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 J but I agree with the investigator's 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 comment on a particular 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 reviewed the history of the account. I can see that by January 2024 the account had fallen into arrears. A Notice of Default was issued and sent to Mr J on 30 January 2024.

The arrears were cleared in February 2024 but accrued again between April and July 2024. No payments were made to the account during this time.

I can see that Lloyds sent arrears letters to Mr J between April and July 2024. In July Mr J contacted Lloyds and a 30 day hold was agreed. During the hold period no interest was applied to the account.

No payment plan was agreed following the 30 day hold and Lloyds wrote again to Mr J asking him to contact them as the arrears were continuing to accrue on the account. No response was received and on 11 September 2024 a Final Demand was issued on the account. The account was defaulted on 31 September 2024.

I've read what Mr J has said about his personal circumstances at the time when the arrears were accruing. I'm sorry to hear that he's had such a difficult time. However, when Mr J took out the card he agreed to the terms and conditions of the account. These state that at least the minimum monthly payment must be made each month, and that if the minimum monthly payment isn't made, fees and charges may be added to the account and letters may be sent regarding the arrears.

I've also had regard to the Information Commissioners Guidelines. These says that lenders can default an account once there are between three and six months of arrears. By the time an account is six months in arrears, it's expected that a lender would act responsibly and take steps to default the account, because to allow the arrears to increase month on month beyond this time without any payment plan in place would simply increase the debt that the customer owes and make it more difficult to repay in the long term.

In this case, I'm satisfied that Lloyds has acted in accordance with the relevant guidelines. I haven't seen anything to suggest that the correct procedure wasn't followed, or that Lloyds made an error when it defaulted the account.

Mr J has said that he didn't receive the Notice of Default. The relevant legislation requires lenders to send Notices of Default by post. There is no requirement for Lloyds to send additional Notices of Default by email, or to chase up a response if a consumer doesn't respond to a Notice of Default.

I can see that the Notice of Default was sent by first class post to Mr J's registered address. I'm unable to say why Mr J didn't receive the Notice, but I can't fairly hold Lloyds responsible for issues with the national postal service.

Taking everything into account, I'm satisfied that the account was defaulted correctly and in line with the ICO guidelines. I'm unable to ask Lloyds to remove the default from Mr J's credit file, because Lloyds are under an obligation to report accurate information about the state of the account to the credit reference agencies.

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 J to accept or reject my decision before 16 May 2025.

Emma Davy
Ombudsman