

The complaint

Mrs A complains that Lloyds Bank plc ('Lloyds') sent her letters about being in persistent debt and suspended her credit card when she'd been overpaying more than was required.

Mrs A wants Lloyds to recognise the upset this has caused her.

What happened

In April 2023 Mrs A paid £100 in addition to the minimum payment due on her credit card and then set up a direct debit to collect an extra £100 per month from the start of May 2023 onwards. Despite this, Mrs A continued to receive Lloyds' letters about persistent debt.

Mrs A raised complaints which weren't upheld by Lloyds. Lloyds said Mrs A had paid her additional payments too late to be considered as part of her persistent debt overpayment, but she could change the date.

Mrs A referred her complaints to the Financial Ombudsman Service. Our investigator, and later an ombudsman, decided our service could only consider Mrs A's complaint about the letters she received from 5 December 2023 onwards. Given it was a linked matter, our investigator said we'd also consider Mrs A's further complaint about her account suspension in June 2024.

Our investigator then issued her view that Lloyds had treated Mrs A fairly by sending her letters about persistent debt. She said that Lloyds' systems hadn't recognised Mrs A's payments as part of the recommended overpayments required to get out of persistent debt. This was because they weren't paid during the relevant statement periods.

Our investigator said that because of this, Lloyds had reasonably taken the decision to suspend Mrs A's account so she could pay off her balance faster, which they were entitled to do under the terms and conditions of the account.

Mrs A strongly disagreed, and said she'd been paying £100 a month in advance of her monthly payments so didn't deserve to be treated by Lloyds in this way. She asked for an ombudsman to review her complaint.

The matter came to me. Given the points Mrs A had made, I sought further information from Lloyds as part of my independent review.

My provisional decision

I recently sent the parties a provisional decision, as follows:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've taken into account any relevant law and regulations, the regulator's rules, guidance and standards, codes of practice and (where appropriate) what is considered to have been good industry practice at the relevant time.

Having done so I don't intend to uphold Mrs A's complaint, although my reasons differ slightly to those given by our investigator.

I think it would be helpful to explain the role of the Financial Ombudsman Service is to resolve individual complaints based on what is fair and reasonable in the circumstances of each case. So it is not for this service to interfere with a firm's processes, systems or controls, nor to fine or punish a business, as these are considerations for the Financial Conduct Authority ('FCA') as the regulator.

What I need to consider is whether it was fair for Lloyds to continue to treat Mrs A as being in persistent debt from 5 December 2023, despite the payments she'd been making since April 2023.

Lloyds are under a regulatory obligation to write to customers about persistent debt in certain circumstances – and I can see Lloyds first wrote to Mrs A about this in December 2021. At that time Lloyds' system had identified that Mrs A wasn't paying more than her minimum payment and she was in a cycle that fits the definition of persistent debt.

I think it's important to say that making overpayments doesn't immediately cure persistent debt. It takes some time to get out of, so even if someone is making the recommended payments they are likely to be treated as being in persistent debt until their account no longer meets this definition.

I acknowledge Mrs A is very uncomfortable with the term "persistent debt" and the pejorative connotations of this. I've used the term here to describe the financial situation on her account and I want to be clear it's not a reflection of her character. I recognise that Mrs A takes her responsibilities under this agreement seriously, and she's been making payments towards this account.

Mrs A was invited on her June 2023 statement to start making a recommended overpayment which would pay off her debt to Lloyds within 48 months. This recommended overpayment was less than the £100 extra Mrs A had been paying since April 2023.

I'm minded to say the problem isn't that Mrs A's payments weren't enough overall, rather it's that they were paid inconsistently within Lloyds' billing cycles.

Mrs A's statements and the spreadsheets Lloyds have provided show that some months Mrs A paid more, and some months she paid less. I can see why Mrs A says she's paid Lloyds early every month, given the date she started paying. But Lloyds' billing cycle doesn't match the calendar month, so Lloyds' system hasn't always allocated Mrs A's payments to the months she intended.

Lloyds confirmed to me that if Mrs A had made her minimum payment and recommended overpayment within the month's billing cycle, she would have received less correspondence about persistent debt and Lloyds would not likely have suspended use of Mrs A's card in June 2024.

I can understand why Mrs A feels this is unfair, given she's paid the money regularly and this problem is due to the timings of the payments and not an unwillingness or inability to pay.

As I've said above, I wouldn't look to interfere with how Lloyds allocates payments to their customers' accounts. However, I would expect Lloyds to comply with their obligations towards Mrs A under the Consumer Duty. This is a high standard imposed by the FCA which requires Lloyds to "act to deliver good outcomes for retail customers."

This doesn't mean that Mrs A should get the outcome she wants. In the context of Mrs A's complaint it means I'd expect Lloyds to support and enable Mrs A to meet her financial objective of getting out of persistent debt.

I'm minded to say Lloyds did this in their letter dated 27 December 2023. Lloyds explained Mrs A needed to change her payment dates so they fell within the billing cycle, and that this would be recognised as her making the recommended overpayments.

I've thought about whether this letter was confusing for Mrs A, and if it could have been clearer. On balance I'm minded to say Lloyds said enough here to enable Mrs A's understanding that she needed to change her payment dates. But I can't see that Mrs A changed her overpayment dates, or that she contacted Lloyds for a further explanation or support.

I'm inclined to say Mrs A could reasonably have taken steps to change her payment date in these circumstances, which would have impacted how Lloyds handled her account.

Bringing everything together I'm not inclined to say it was unfair or unreasonable for Lloyds to allocate Mrs A's payments in accordance with their usual processes and send letters to her in line with regulatory guidance.

Nor am I inclined to say it was unreasonable for Lloyds to suspend the use of Mrs A's account here, as this was permitted by clauses B2.5 and B7.8 of her terms and conditions and a consequence of how payments had been allocated to her account.

I am sorry to disappoint Mrs A and don't wish to cause her further upset, but I'm not currently persuaded she's been treated unfairly in these circumstances, which means I don't intend to uphold her complaint."

Responses to my provisional decision

Lloyds confirmed receipt of my provisional decision but had nothing to add.

Mrs A responded to say she was frustrated and exhausted by this matter. She said she was disappointed that Lloyds could use the technicality of their billing cycle to excuse their failure to act in a fair and reasonable manner by just once looking, in response to her communications, at the bigger picture.

Mrs A pointed out she'd paid more than the recommended payments overall but this seemed to count for nothing, and she was still receiving Lloyds' letters.

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 recognise that Mrs A feels Lloyds have let her down, and she's heartily fed up of this situation. I've thought about what she's said in response to my provisional decision but I'm afraid I haven't been persuaded to change my mind.

Looking at the bigger picture, and in particular the scale of Lloyds' business and the number of regulatory obligations they must meet, I wouldn't expect Lloyds to depart from their automated process for sending letters to Mrs A, nor would I expect them to adjust their billing cycle for Mrs A's account.

That isn't to say they can hide behind technicalities – as I set out in my provisional decision, the FCA imposes high standards for firms like Lloyds to meet, in terms of how they engage with their customers about the accounts they hold.

What I'd expect here is for Lloyds to give Mrs A the information she needs to ensure her payments are counted towards her monthly recommended payment amount, to bring her account out of persistent debt. I think Lloyds did this when responding to Mrs A's complaint, as they said she needed to change her payment date.

If Mrs A does this, Lloyds say the number of letters she gets about persistent debt might reduce. But I think it might help Mrs A to know that I wouldn't expect all letters about this to cease until her account no longer falls within the industry's definition of persistent debt.

For the reasons I've given here, and in my provisional decision set out above, I've decided not to uphold Mrs A's complaint. I'm sorry this isn't the outcome Mrs A hoped for.

Going forward, if Mrs A contacts Lloyds for help with changing her payment date, particularly with choosing the right payment date within her billing cycle, I'd expect Lloyds to support Mrs A with this.

My final decision

For the reasons I've set out, my final decision is not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 12 June 2025.

Clare Burgess-Cade
Ombudsman