

The complaint

Mr A complains that Lloyds Bank plc ('Lloyds') unfairly decreased his credit limit and blocked his credit card after he'd asked for help managing his other accounts.

Mr A wants his credit limit to be restored, his account unblocked, for negative entries to be removed from his credit file and for Lloyds to pay him further compensation.

What happened

Lloyds agreed to suspend interest and charges in relation to Mr A's current account and personal loan. Mr A complained when his credit card account was blocked, saying this wasn't what he'd agreed.

Lloyds agreed the credit card had been incorrectly blocked, so reinstated this and paid £70 compensation. Lloyds then paid another £50 compensation to Mr A for indicating that his credit card would remain unblocked.

Mr A complained Lloyds had reduced his credit limit and this was influenced by the interest and charges being frozen on his other accounts. Mr A complained he was still unable to use his credit card. Mr A also complained Lloyds hadn't taken his credit card payment by direct debit, resulting in a negative entry on his credit file.

Lloyds responded that Mr A hadn't set up a direct debit before his payment was due, which was why the payment wasn't collected in time. Lloyds didn't agree to amend Mr A's credit file. Lloyds said they considered several factors when decreasing Mr A's credit limit, and confirmed that Mr A's credit card would be restricted if he was in arrears.

Mr A asked the Financial Ombudsman Service to investigate. Our investigator didn't recommend that Lloyds do anything further. She thought Lloyds had fairly compensated Mr A for the incorrect credit card block and misinformation surrounding this, and she also concluded the decision to reduce Mr A's credit card limit was fair. She didn't think Lloyds were reporting unfairly to Mr A's credit file.

Mr A disagreed, saying the credit card problems flowed from his request for help with his current account and Lloyds had agreed this shouldn't have affected his credit card. Mr A provided lengthy submissions for an ombudsman to consider. The matter then came to me to decide.

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'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.

I am sorry to disappoint Mr A but I broadly agree with our investigator. I think Lloyds have offered a fair and reasonable resolution to Mr A's complaint, and I won't ask Lloyds to do anything more. I'll explain why.

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. Those are considerations for the Financial Conduct Authority ('FCA'), as the regulator.

It's clear that Mr A's credit card account was mistakenly blocked when he sought help with his loan and current accounts. Lloyds accept this caused Mr A distress and inconvenience and offered £70 compensation. I'm satisfied that Lloyds also unblocked Mr A's credit card at the time. This is evidenced in Lloyds' account notes and Mr A's statement of account for September 2024 which shows he was able to spend on the card between 8 August 2024 and 30 August 2024. I think Lloyds fairly resolved Mr A's complaint that his card had been incorrectly blocked.

Mr A missed a credit card payment on 2 September 2024 and Lloyds restricted Mr A's credit card following this, in line with their policy. So I think this is why Mr A couldn't use his card. I recognise this was frustrating for Mr A but I think Lloyds reasonably informed Mr A of how and when his credit card could be unrestricted in their letter dated 13 September 2024.

I've considered how the missed credit card payment came about. Mr A remembers paying £200 from his current account to his credit card on 1 August 2024, which was a manual payment. And Mr A used the credit card in August 2024 so I think he was likely aware a payment would be due in September 2024. Lloyds did generate a statement requesting a payment.

Lloyds say Mr A set up a direct debit on 9 September 2024, and I've not found evidence that this was supposed to be actioned earlier. Mr A's provided me with screenshots to show his direct debit paid his credit card from October 2024, which was the next payment after the direct debit was set up. Unfortunately, I think Mr A has overlooked making his payment on 2 September 2024 manually, given the direct debit wasn't in place at the time. I don't think Lloyds contributed to the payment being missed.

I'm satisfied from the call recordings that Mr A was made aware that his plan with Lloyds and any missed payments would have a negative impact on his credit file. I won't ask Lloyds to amend the late payment they are reporting to Mr A's credit file for September 2024 as I think that is a fair and accurate reflection of what's happened on Mr A's credit card account.

Lloyds' terms and conditions set out they can change Mr A's credit limit at any time, and they do regular reviews. I wouldn't expect Lloyds to give Mr A prior notice of a reduction in his credit limit, but I would expect Lloyds to consider how the change would impact Mr A's ability to manage his finances and offer him appropriate support.

Lloyds said they'd considered several factors when reducing Mr A's credit limit and one of these was that Mr A might have trouble repaying them if he spent his available credit limit. Mr A says Lloyds unfairly assumed financial difficulty as his budget assessment showed he had surplus money, and he wasn't using up all his available credit. Mr A's explained that he only used his overdraft to get a discount buying two cars with cash, as opposed to using his credit card.

It's not for me to direct how Lloyds make their lending decisions, it is for them to determine their appetite for risk and set their own lending criteria. But I think it was reasonable for

Lloyds to consider Mr A was in financial difficulty because Mr A had contacted Lloyds to ask for help with interest and charges, was expecting to stay in his overdraft for six months and had missed a payment to his credit card. Objectively, I think those factors do typically indicate financial difficulty.

I've considered Mr A's statements of account, and I can see there was a long period where he didn't use his credit card. And even when Mr A did use his credit card, he wasn't utilising most of the credit limit. I agree this shows Mr A wasn't typically reliant on credit, but I think it follows that this lessens the impact of the change. Mr A's credit limit wasn't reduced below his current level of spending at the time. I recognise Mr A was disappointed, but I am not persuaded by the evidence that Lloyds' decision was unfair in these circumstances.

Mr A says Lloyds started reporting a default and a CCJ on his credit file in October 2024, after the help he was getting ended. Mr A says Lloyds failed to reinstate his direct debit and take his payments. I am sorry to hear Mr A's experiencing financial difficulty following this, and I don't underestimate the impact this will have on him and his family.

Unfortunately I am unable to investigate what's happened in October 2024 as part of this decision. That's because these events post-date the complaint made to Lloyds, and I only have power to consider the complaint that Lloyds have had a chance to answer. If Mr A wishes to pursue these points, he will need to make another complaint to Lloyds before our service can consider them.

I understand that Mr A is deeply unhappy with Lloyds but on balance I think they've acted reasonably in the circumstances of this complaint. It's clear Lloyds did get things wrong with the initial blocking of the credit card and communicating about this, but I think Lloyds have provided a fair resolution to put this right. I don't agree that Lloyds acted unfairly when reducing Mr A's credit limit or restricting the further use of his card. This means I don't uphold Mr A's complaint.

If Mr A would like free and independent advice and support, he can contact MoneyHelper either through their website or by telephoning 0800 138 7777.

My final decision

For the reasons I've outlined, and whilst fully recognising Mr A's unhappiness, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 3 December 2025.

Clare Burgess-Cade
Ombudsman