

The complaint

Mr T complains that Lloyds Bank PLC reduced his credit limit unfairly and won't now increase his credit limit from the level they reduced it to.

What happened

Mr T, who is disabled and whose only income is government benefits, has a credit card account with Lloyds. In 2016 and 2017, Lloyds reduced the credit limit on Mr T's account to £500. In April 2024, Mr T asked Lloyds to increase his credit limit, but Lloyds declined to do so. They said the reason was Mr T's only source of income was government benefits. Mr T wasn't happy about this and felt that Lloyds were discriminating against him as he is disabled, so he raised a complaint.

Lloyds responded to Mr T but didn't think they'd done anything wrong by reducing the credit limit. Mr T didn't agree, so he referred his complaint to this service. One of our investigators considered this complaint. However, they didn't think Lloyds had acted unfairly towards Mr T, and didn't uphold the complaint. Mr T didn't accept the investigator's outcome, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 23 December 2025 as follows:

In his submissions to this service, Mr T has made several arguments of a legal or regulatory nature. So I'll begin by confirming that this service isn't a regulatory organisation or a Court of Law and doesn't operate like one. This means that I don't decide whether Lloyds have or haven't acted within law and industry regulation.

Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when making decisions, we consider things based on what is fair and reasonable – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

Mr T has also said that he thinks Lloyds have discriminated against him and are in breach of the Equality Act 2010. For the reasons I've explained above, I can't say whether Lloyds have breached the Equality Act 2010 or not. Instead, what I can decide is whether I feel Lloyds have acted fairly or unfairly towards Mr T, in consideration of all the circumstances of this complaint.

Mr T and Lloyds have provided several detailed submissions to this service regarding this complaint. I'd like to thank both parties for these submissions, and I hope they don't consider it a discourtesy that I won't be responding in similar detail here. Instead, I've focussed on what I consider to be the key aspects of this complaint, in line with this service's role as an informal dispute resolution service.

This means that if Mr T or Lloyds find that I haven't addressed a specific point that they've raised, it shouldn't be taken from this that I haven't considered that point. I can confirm that I've read and considered all the submissions provided by all parties but I didn't think it was necessary to respond to it directly in this letter to give what I consider to be a fair resolution to this complaint.

Credit limit decreases

Having been told by Lloyds that his request to increase his credit limit was declined because his only source of income was government benefits, Mr T was concerned that Lloyds had previously decreased the credit limit on his account for that same reason.

However, while information about the credit limit decreases in 2016 and 2017 is limited (understandably so, given the amount of time that has passed since then) Lloyds have been able to provide reason codes for those decreases, which indicate that Lloyds received information or alerts from one or more credit reference agencies (CRAs).

Alerts from credit reference agencies are not uncommon and are generally sent to credit providers who an individual has existing credit account with when there is a change to that individuals' financial circumstances that may potentially affect their creditworthiness.

Examples of such changes could be (but aren't limited to) the opening of a new credit account which would affect the potential affordability of all existing credit accounts, or if a payment was missed on an existing credit account that meant adverse reporting was applied.

Furthermore, when an alert is sent to a credit provider, the details of what caused the alert aren't usually included in the alert. This is because the purpose of the alert is to prompt the credit provider to reassess the creditworthiness of the individual as part of the criteria of that credit provider and isn't intended as an instruction to make a specific change.

It therefore seems most likely that when Lloyds reduced Mr T's credit limit in 2016 and 2017, they did so in response to receiving an alert from the CRAs which gave them cause to reassess Mr T's financial position against their own internal creditworthiness criteria.

Importantly, this means that I don't think it was likely that Lloyds reduced the credit limit on Mr T's account because his only source of income was government benefits. And because of this, I won't be upholding this aspect of Mr T's complaint.

Credit limit increase request

Considering Mr T's more recent request for Lloyds to increase his credit limit, which Lloyds declined, I'm not persuaded that Lloyds have acted fairly in this regard. I say this because Lloyds have explained that while they are aware that Mr T is disabled, when he applied for a credit limit increase the only benefit that he was receiving was Universal Credit. And while Lloyds lending criteria allow them to consider Universal Credit as income, their criteria only accepts this when another source of income (such as a separate disability benefit) is being received.

In Mr T's case, he is disabled, but he doesn't receive a separate disability benefit. Instead, the full amount of his benefits is received as one combined Universal Credit payment. But while Lloyds will accept benefits as a source of income when the recipient is disabled, they will only do so if the individual receives a separate disability benefit, alongside Universal Credit rather than it being a part of a single Universal Credit benefit payment.

It therefore seems to me that Lloyds lending criteria in this regard exclude Mr T unfairly. I say this because Lloyds confirm that they do consider benefit income as suitable income for disabled people such as Mr T. Because the reason that Lloyds refuse to consider Mr T's benefit income as suitable income as part of the lending criteria isn't anything to do with Mr T's personal circumstances but is instead the result of a limitation imposed by Lloyds that fails to fairly consider Mr T's specific personal circumstances.

Ultimately, it's for Lloyds to set their lending criteria. But if following their lending criteria results in an unfair outcome – as I think has been the case here – then it is within my role to instruct Lloyds to act outside of those criteria.

Putting things right

Accordingly, my provisional decision is that I uphold this complaint in Mr T's favour and instruct Lloyds to reassess Mr T's request for an increase to his credit limit on the basis that Mr T's Universal Credit income is suitable and acceptable income for them.

It's important to confirm here that I am not instructing Lloyds to accept Mr T's request for a higher credit limit – but only to reassess Mr T's request on the basis that Mr T's Universal Credit income is an acceptable form of income. It's also important to remember there is no guarantee that any such reassessment will result in a credit limit increase for Mr T as he would like. But if it is the case that Lloyds still decline Mr T's request for a credit limit increase, they must provide a clear explanation as to why Mr T's request has been declined that must not include any reference to Mr T only having Universal Credit as his only source of income.

Finally, I'm also provisionally instructing Lloyds to pay £250 compensation to Mr T for the upset and frustration that he's incurred because of Lloyds' following its lending criteria which Lloyds acknowledge doesn't reasonably consider Mr T's circumstances as a disabled person in receipt of only one form of benefit as his only source of income.

In deciding this compensation amount I've considered the impact of Lloyds actions on Mr T alongside the general framework this service uses when assessing compensation amounts, details of which are available on this service's website. And, having done so, I think £250 is a fair compensation amount.

Lloyds responded to my provisional decision and confirmed they accepted it. Mr T also responded and provided some further context into his historical financial position and made some comments about credit limits. However, Mr T didn't raise any objections to my provisional decision or the manner in which I provisionally upheld his complaint.

In consideration of the responses from Mr T and Lloyds, I see no reason not to uphold this complaint in Mr T's favour on the basis as described in my provisional decision. I therefore confirm that my final decision is that I do uphold this complaint IN Mr T's favour on that basis accordingly.

Putting things right

Lloyds must reassess Mr T's request for an increase to his credit limit on the basis that Mr T's Universal Credit income is suitable and acceptable income for them.

Lloyds must also pay £250 compensation to Mr T.

My final decision

My final decision is that I uphold this complaint against Lloyds Bank PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 11 February 2026.

Paul Cooper
Ombudsman