

complaint

Mr J complains that Lloyds Bank PLC increased his minimum payments on his credit card and that his letters of complaint went unanswered.

background

In January 2019 Mr J received a letter from Lloyds to explain his minimum repayments would be increased from 1 to 2% towards the end of February 2019. The letter gave him the option of closing his account if he wasn't happy with this.

Mr J complained to Lloyds to explain the increased payments weren't affordable for him. He also complains that some of his letters to Lloyds went unanswered.

Mr J thinks Lloyds treated him unfairly. He thinks Lloyds didn't act in accordance with the Financial Conduct Authority's (FCA's) rules on persistent debit and he says he was only given the option to make increased minimum repayments or to close his account - which he says he isn't able to do because he needs to use his credit card.

Lloyds didn't uphold his complaint about the increase to his minimum payments. It said that following guidance from the FCA it wanted to assist its customers to reduce their debt. It said Mr J was given the option to close his account if he didn't want the increase to take effect.

Lloyds agreed it had delayed responding to Mr J's concerns and it paid £75 to his account by way of apology.

Unhappy with Lloyds' response, Mr J referred his complaint to our service.

Our investigator didn't recommend that Mr J's complaint should be upheld because the terms and conditions of his account allow Lloyds to increase the minimum payments "*if we consider that you are in persistent debt, or at risk of falling into persistent debt.*"

Mr J disagrees with the investigator's view. He thinks the investigator placed emphasis on the terms and conditions which he's never had; he doesn't think the investigator read the FCA's guidance about persistent debt and he doesn't think £75 compensation is fair. Since the investigator's view Mr J told us that Lloyds has now reversed its decision to increase his minimum repayments which he thinks shows that Lloyds is at fault.

I issued a provisional decision and in that decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having reviewed the information provided by Mr J I think the crux of his complaint is that Lloyds didn't act in accordance with the FCA's guidance on persistent debt when it increased his minimum repayments.

As an ombudsman my role is to act impartially to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

But the role of our service isn't to regulate or punish businesses for their conduct - that is the role of the FCA.

Lloyds wrote to Mr J in September 2018 to explain that he was in persistent debt. The letter said "if you continue to pay more in interest. fees and charges than off your balance over the next 18 months we may stop you using your card..". It also said "We might also need you to increase your minimum payments."

I've looked at Mr J's credit card statements and I can see that his repayments were generally around the same amount as his monthly minimum payment - and this meant he was paying very little off his outstanding balance. Considering Mr J's usage of his card and pattern of repayment I don't think Lloyds made a mistake in writing to him to tell him that increasing his monthly payments would mean he would be able to pay off his credit card balance more quickly and pay less interest overall. And neither do I think it made a mistake by saying it would monitor his account over the next 18 months. I think this was in line with the rules on persistent debt.

However four months later – in January 2019 – it wrote again to say his minimum payments were being increased from 1 to 2% of his outstanding balance plus interest and charges.

The September 2018 letter indicated that Lloyds would decide whether to increase the minimum repayments after monitoring his account for a further 18 months. Whilst I accept that Lloyds was trying to help him reduce his credit card balance, I think it took the decision to increase his monthly payments sooner than it said it would and I think Lloyds made a mistake here.

Mr J told Lloyds that increasing his minimum payments would cause him financial difficulties. I must explain that I'm not making any finding about whether this actually caused him financial difficulties. In these circumstances I'd expect Lloyds to treat him positively and sympathetically. I think Lloyds did that here because in the final response letter it gave Mr J until early April 2019 to review his options and it said it would remove the higher payment expectation from his statement. It also offered for Mr J and his partner to speak to a financial adviser.

In terms of putting matters right for Mr J, Lloyds has provided to our service a copy of its offer to settle his complaint dated August 2019. In that letter Lloyds agreed to reverse its decision to increase his minimum payments, it also agreed to remove any late payment indicators reported to credit reference agencies and to restore his credit limit to its previous level. It also credited Mr J's and his partner's joint account with a payment of £1,065.

I think the non-financial actions Lloyds has agreed to undertake in its August 2019 letter are fair but I think the compensation offered by Lloyd is more generous than I would have awarded had the complaint come to me without an award having already been made. My understanding is that Lloyds has already paid this compensation to Mr J and his partner so I do not require it to pay any further compensation or to do any more than it has already agreed to do in its August 2019 letter to settle this complaint."

developments since my provisional decision

I invited both parties to let me have any further submissions before I reached a final decision. Lloyds acknowledged receipt of my provisional decision and didn't have any objections to it. Mr J disagrees with my provisional decision. In summary:-

- Mr J says my provisional decision doesn't explain that Mr J never received Lloyds September 2018 letter or that Mr J has always paid his credit card bills on time;
- Mr J says the refund of £1065 wasn't offered by Lloyds or accepted as compensation but they were instead told this was a refund of additional amounts paid by Mr and Mrs J as a result of Lloyds enforced increase of their minimum repayments from 1% to 2%;
- Mr J doesn't think my decision recognised that Lloyds' actions went against FCA rulings and he feels my decision was biased in favour of Lloyds.

my findings

I've re-considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr J doesn't think my decision reflects the many letters and phone calls he and his partner had with Lloyds or that he managed his account well. As an informal dispute resolution service, we must reach a fair and reasonable conclusion with the minimum of formality. In doing so, it isn't necessary for me to respond to every point made or to detail all the information provided by both parties. Instead I am required to concentrate on what I think are the key issues.

I appreciate Mr J feels very strongly that Lloyds didn't act in accordance with the FCA rules on persistent debt. I explained in my provisional decision why I thought Lloyds didn't treat Mr J fairly so I've gone into some further detail here to explain my reasoning.

At the time Lloyds increased Mr J's minimum credit card repayments, the applicable terms and conditions of his credit card account allowed it to do so if it thought he was in persistent debt or at risk of falling into persistent debt. Although the terms and conditions of Mr J's credit card account allowed Lloyds to do this I don't think it treated him fairly.

I already explained in my provisional decision that when Lloyds wrote to Mr J in September 2018 it informed him that it would monitor his account over the next 18 months and that it might ask him to increase his payments. So, when Lloyds wrote to Mr J again in January 2019 to inform him that his minimum repayments were increased from 1% to 2% of his outstanding balance plus interest and charges I think this contradicted what Lloyds had previously told Mr J and I also think that Lloyds increased Mr J's minimum repayments sooner than it should have done under the rules relating to persistent debt.

The rules on persistent debt broadly require financial businesses to contact their customers to explain that they've been in persistent debt for 18 months, to explain that increasing their payments will reduce the cost of their borrowing and allow them to pay the balance sooner and to explain that if they remain in persistent debt for 36 months their card may be suspended and they may be given options to increase their payments.

I think Lloyds complied with this part of the rules when it wrote to Mr J in September 2018. I appreciate Mr J says he never received this letter but I don't have any reason to doubt it was sent and I can't fairly hold Lloyds responsible for problems with the post.

Under the rules on persistent debt it isn't until an account has been in persistent debt for 36 months that a business can set out options to require customers to increase their payments. So here, I think Lloyds acted sooner than it should have done. While I appreciate Mr J's strength of feeling about the way he's been treated by Lloyds, the role of our service isn't to punish Lloyds – as that is the role of the FCA. Instead, I need to look at the impact this had on Mr J and to look at what Lloyds needs to do as far as possible, to put Mr J in the same position as he would have been in had the problem not occurred.

In August 2019 Lloyds agreed to reverse its decision to increase Mr J's minimum payments, it also agreed to remove any late payment indicators reported to credit reference agencies and to restore his credit limit to its previous level. It also credited Mr J's and his partner's joint account with a payment of £1,065.

Lloyds has confirmed that the £1,065 payment it credited to Mr and Mrs J's account was mainly a refund of interest charged during the period Lloyds increased the minimum repayments from 1% to 2% and with a small amount representing a refund the difference between the amount they paid due to their minimum payment being increased to 2% and what they would have paid had it remained at 1%.

I realise Mr J doesn't see this as compensation but I don't agree. Here, the terms and conditions of Mr J's credit card account allowed Lloyds to charge Mr J interest on his outstanding credit card balance. When Lloyds increased Mr J's repayments from 1% to 2% of his outstanding credit card balance plus interest and charges, this was an increase not in the rate of interest Mr J was being charged but an increase in the minimum amount he would need to repay each month – and which he already owed.

I can't say Lloyds did anything wrong in charging Mr J interest on his outstanding balance because it was permitted to do this. Mr J would have needed to pay the interest in any event so I can't say he lost out financially and I explained in my provisional decision why I thought Lloyds treated Mr J positively and sympathetically when Mr J told Lloyds that increasing the minimum repayments would cause him financial difficulty.

I haven't seen anything to suggest Mr J disputes that he owes the outstanding balance to Lloyds so although I think Lloyds incorrectly increased Mr J's minimum repayments from 1% to 2%, because Mr J owes this money to Lloyds I can't say he's lost out by paying more than he should have done – and reducing his outstanding balance would also reduce the amount of interest he was charged.

Mr J's financial loss, if any, is the amount he overpaid to Lloyds and which he could have put to use elsewhere – for example by repaying a credit card with a higher rate of interest or for any missed payments and financial penalties he's incurred to other lenders as a result of overpaying Lloyds. I haven't seen anything from Mr J to suggest that this is the case.

For the reasons I've explained above I still think that Lloyds has done enough to put matters right for Mr J. I realise that Mr J will be disappointed by my decision but this brings to an end what we, as an informal dispute resolution provider, can do to help resolve this complaint.

my final decision

My final decision is that I uphold this complaint in the sense that I require Lloyds Bank PLC to put matters right in accordance with its August 2019 letter, to the extent it has not already done so. For the reasons I've explained above, I do not require Lloyds Bank PLC to pay any further compensation or to do any more than it has already agreed to do in its August 2019 letter to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 30 May 2021.

Michelle Hayward
Ombudsman