

## **complaint**

Mr B complains that Lloyds Bank plc (previously Lloyds TSB Bank plc) wrongly applied interest and charges to his credit card account after he entered into a debt management plan (DMP). He asks that interest and charges applied since then are refunded. Mr B also says that Lloyds acted irresponsibly when offering him credit and asks that Lloyds accepts his offer to pay part of the account balance in full and final settlement of his debt.

## **background**

Mr B says since 2001 Lloyds increased the credit limit for his credit card at the same time as increasing other loans to him and his wife. Their borrowing was unaffordable and they entered into the DMP in 2010. Mr B says Lloyds breached the Lending Code when it continued to apply interest and charges to his account after he entered into the DMP.

Payment protection insurance (PPI) was added to Mr B's account. Although Mr B has accepted a settlement from Lloyds in relation to the PPI, he says it caused additional interest to be applied to the account and this should be refunded. Mr B says other charges and insurance payments were wrongly taken from his account and should have been cancelled after he entered into the DMP.

The adjudicator did not recommend that the complaint should be upheld, saying:

- There is no obligation on a bank to suspend interest and charges when a customer is experiencing financial difficulties. Lloyds acted reasonably when it applied a reduced interest rate to Mr B's account.
- She could not fairly give a view whether the bank's offer of credit to Mr B was irresponsible due to the amount of time passed.
- Mr B had accepted a settlement for his PPI claim, which would have included interest.
- The monthly insurance payment was for accidental death cover. Although it wasn't cancelled when Mr B entered into the DMP, the balance on the account still reduced.
- Whether Lloyds accepted Mr B's offer of settlement was a commercial decision and not a matter for this service.

Mr B did not agree, saying in summary that Lloyds acted in breach of the Lending Code when it offered credit and applied interest and charges after he entered into the DMP.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. Where there is a dispute about what happened, I have based my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in the light of the evidence.

I am satisfied from the evidence that the credit limit on Mr B's card was last increased in 2004. As he was able to maintain payments for several years after that, I consider it likely

that the credit was affordable. I sympathise with the financial difficulties Mr B is experiencing, but I am not persuaded from the evidence that this is due to irresponsible lending by Lloyds.

While Lloyds is required to respond positively and sympathetically when told a customer is facing financial difficulties this does not mean it has to refund or suspend charges and interest. Lloyds agreed a repayment plan, reduced the interest rate on the account and later suspended interest. I am not persuaded that Lloyds has acted unreasonably or breached the Lending Code by applying interest or charges to Mr B's account.

Whether Lloyds agrees to Mr B's offer to repay part of the account balance in settlement of his debt is a commercial decision for Lloyds.

I understand that Mr B agreed a settlement with Lloyds TSB Insurance for the costs of the PPI added to his account. If Mr B is concerned over the terms of the settlement, he will need to address them with Lloyds TSB Insurance. I cannot do so in the context of this complaint.

I am satisfied that the £12.50 deducted from Mr B's account each month is for accidental death cover and is not an account charge. I am not persuaded from the evidence that Mr B cancelled the cover or that Lloyds said it would cancel it when Mr B entered into the DMP. So I am not persuaded from the available evidence that Lloyds made an error when it allowed the payment to be made from the account. The payment is set out on each monthly statement, so I am satisfied that Mr B was aware of the payment. If Mr B has other concerns about the accidental death cover, he should raise these with Lloyds.

### **my final decision**

My decision is that I do not uphold this complaint.

Ruth Stevenson  
**ombudsman**