

complaint

Mrs L makes a number of complaints about how Lloyds Bank Plc dealt with her credit card account.

background

Mrs L says she received a letter from Lloyds in July 2018 telling her that her credit card minimum repayment amount would increase to 2.5% from 1%. She says she spoke to Lloyds in September 2018 and was told her only option was to close the account. Mrs L says she later found out that Lloyds advice was wrong and that it wasn't complying with the new rules on persistent debt. She also says her account was not in arrears but couldn't afford to make the increased payments. Mrs L says that any default on her credit file may result in her losing her home under the conditions of an equity release scheme.

Mrs L would like Lloyds to consider writing off the debt or reducing the interest rate. She says if Lloyds had given her the correct advice then her account would have been monitored for 18 months rather than the minimum payment increased. And that under the persistent debt rules any action by Lloyds should not have an adverse affect on her.

Lloyds has sent Mrs L a number of letters in response to her complaints. In summary it says it dealt correctly with the call in September 2018 and followed Mrs L's instructions to close the account. It says it's offered Mrs L a number of options including freezing interest and charges but it must also accurately report the account position to the Credit Reference Agencies (CRA's). Lloyds accepts there was some confusion in its letters and has paid Mrs L £75 compensation and refunded call costs. It also accepts giving misleading information about the account being open and has paid £50 compensation.

Mrs L brought her complaint to us and our investigator upheld the complaint in part. The investigator thought the July 2018 letter was not a notice under the new persistent debt rules and Lloyds had given Mrs L incorrect advice in the September 2018 call. The investigator thought Mrs L closed the account based on that incorrect advice but couldn't fairly ask Lloyds to reopen the account. The investigator recommended Lloyds pay £100 compensation for that. The investigator thought that Lloyds hadn't dealt with Mrs L under the persistent rules and so couldn't be criticised for not complying with those rules.

The investigator thought Lloyds had tried to help Mrs L and provided reasonable options and thought Lloyds had paid a fair amount of compensation in respect of part of the complaint.

Lloyds says it's paid Mrs L for the incorrect information during the call and says it sent Mrs L regular letters about her "persistent debt".

Mrs L doesn't accept that view and in summary repeats how important it is for her to avoid her account being defaulted. She says she is struggling to meet the existing repayment let alone any increases and if given the correct information then she wouldn't have closed her account. Mrs L says if Lloyds had followed the new rules then it could have cancelled or reduced interest. She says she was using her account to pay another credit card balance and Lloyds actions have cost her about £350 a month.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I have come to a similar overall view as the investigator. I realise Mrs L will be disappointed by my view and I appreciate how strongly she feels about what's happened. I confirm that I have read all of Mrs L's letters to us.

I don't think Lloyds has been clear in its dealings with Mrs L about the issue of persistent debt and I don't think it has explained to us if it thought it was complying with its obligations under the new Financial Conduct Authority (FCA) rules. I can see that Lloyds has told us it was sending Mrs L regular letters about her "persistent debt" but I don't think its explained to us why it told Mrs L it was increasing the minimum payment and if that was in line with those new rules.

So I accept that Mrs L felt she had no alternative but to close her account. And so I agree with the investigator that Lloyds should pay compensation for the confusing information it gave her. I appreciate that Lloyds say it has paid £75 for that but its letter about that refers to confusion in a letter. In any event I think Lloyds should pay £200 in total for the misleading information in the call.

I appreciate that Mrs L says Lloyds hasn't complied with the new FCA rules and I agree that it doesn't appear to have. But it follows that if it hasn't then I can't fairly conclude that it should have offered formal help under those rules if it hadn't started the process that Mrs L and Lloyds are familiar with. I think the important issue is if Lloyds has dealt positively and sympathetically with someone in financial difficulty.

I don't think there can be any doubt Mrs L is in such financial difficulty. I can see that Lloyds carried out a financial assessment that suggested Mrs L was in deficit by £900 a month. And I can also see that Mrs L was using her Lloyds credit card account to pay off a different credit card. So I have come to the overall conclusion that even if Lloyds had followed the FCA timetable on persistent debt then at some point the same position would have been reached. And whilst I appreciate what Mrs L says about that stage I think on balance the likely outcome would be broadly the same. I don't think it follows that Lloyds would have simply reduced the interest rate or written off the debt but would have made the same offer to her that it has already made.

I think on balance Lloyds has acted positively and sympathetically by freezing interest, providing Mrs L with details of its specialist team and other agencies that could assist her. I also think it's provided a reasonable solution in the long term but I accept that may affect Mrs L's credit file. I appreciate Mrs L's dilemma and what she says about that and the implication for her home. But I can't fairly order Lloyds to write off the debt or reduce the interest rate as she would like. I also appreciate that Mrs L says Lloyds offers credit card accounts with lower interest rates and that her rate is too high. But again I can't fairly order that Lloyds transfers the debt in such a way and I'm satisfied Mrs L agreed to the interest rate when she opened the account.

Overall whilst I accept Lloyds didn't handle parts of this complaint as it should I can't fairly order it to take the steps Mrs L would like or pay the compensation she would like. I appreciate Mrs L will remain disappointed by my decision but I think that brings an end to what we in trying to sort out this complaint informally can do to help her.

my final decision

My final decision is that I uphold this complaint in part and order Lloyds Bank Plc to pay Mrs L £125 compensation in addition to the £75 it has already paid her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 20 February 2020.

David Singh
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