

The complaint

Mr D complains about the handling of his credit card from Lloyds Bank PLC (Lloyds).

What happened

Mr D had a credit card from Lloyds. Beginning in 2017, he fell into financial difficulty and had trouble repaying the credit card debt owed to Lloyds.

On 27 March 2018 a Default Notice was issued – which asked for the arrears of £423.98 to be cleared by 14 April 2018 to avoid further action. The balance was £14,678.08.

On 25 April 2018, Lloyds sent a further letter with the arrears at £191.20, against an outstanding balance of £14,054.10. This asked for the arrears to be cleared within 14 days.

On 9 November 2018, Lloyds wrote again to say the arrears were then £230.25 (balance £12,295.47). The letter said the credit card agreement was cancelled and the credit limit withdrawn.

In January 2019, Mr D's account was passed to a debt collection agency (DCA) to collect payments and a default was registered.

But – what had happened between the letters in April 2018 and November 2018 – was that Mr D had paid in enough money to pay off the arrears, and the balance had reduced. Lloyds should've issued a new Default Notice and arrears letters again to show the updated position - but didn't.

So, based on the previous letters sent, the further action in the letter dated November 2018 shouldn't have taken place. And the account shouldn't have been passed to a DCA either.

Mr D complained. He said that over the course of several years, Lloyds had treated him badly and caused him and his family a lot of stress, anxiety, and mental anguish. All of this had taken more than five years to sort out. He said Lloyds should be prepared to pay between £20,000 and £40,000 in compensation.

Lloyds sent three final responses – 19 September 2023, 3 October 2023, and 14 November 2023. In summary, Lloyds apologised for the error they'd made and for the stress and anxiety caused. The bank wrote off the remaining balance of £11,748.57 and paid compensation of £150.

Mr D brought his complaint to us. Our investigator said Lloyds didn't need to do anymore. He said what Lloyds had done was fair and reasonable and was more than our service would award. So, he didn't recommend any further action by Lloyds.

Mr D didn't agree. He said that if Lloyds had written off the balance years ago, that would've been acceptable, but given how long it took to come to that, the bank should do more – and

pay an increased compensation of between £20,000 and £40,000. So, his complaint has come to me to make 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.

At the outset, let me say – we are an informal dispute resolution service which seeks to come to fair decisions where there is a complaint from a consumer about a financial business. We don't take sides. And I've looked at all the evidence here in coming to a decision. Nor are we the regulator of Lloyds – that's the role of the Financial Conduct Authority.

I can see that Mr D has previously brought two complaints to our service about his Lloyds credit card – which were the subject of final decisions. And so I will not comment on them.

Lloyds have admitted they made a mistake when they wrote to Mr D in November 2018 – the letter asked for the repayment of the arrears of £230.25. But because Mr D had paid in enough money between the previous letter in April 2018 and then, Lloyds shouldn't have closed his account, passed it to a DCA, nor registered a default – the bank should've written again to Mr D with the up-to-date balance and arrears. As Lloyds have admitted this error, I won't go into it further.

And so my decision comes down to whether Lloyds need to do anymore to put things right. Mr D says they do – as his credit records were affected and he couldn't get credit for a period, and he and his family suffered a great deal of stress and anxiety in the meantime.

I have no doubt that Mr D and his family went through a difficult time, nor, presumably, could Mr D get any credit (or if he could, it was likely at a high interest rate). I've thought carefully about this and whether it is reasonable to expect Lloyds to pay more.

The awards our service makes in cases such as this are less than the amount paid by Lloyds – as the bank has written off more than £11,500 and paid compensation of £150. I have attached a link which shows the level of awards we consider – which are a lot less than Lloyds have paid (taking the written off debt and compensation together). Therefore, I am not saying that Lloyds have to pay more.

<https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

So, in summary, I'm satisfied that Lloyds have done enough to deal with and close Mr D's complaint. And my decision is that the bank don't need to do anymore here. **(continued)**

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 5 June 2024.

Martin Lord
Ombudsman