

The complaint

Mr C complains that Lloyds Bank PLC misled him regarding a credit card closure.

What happened

Mr C had two credit cards with Lloyds. Lloyds wrote to Mr C to say that they would be closing one of his accounts. Mr C contacted Lloyds, where he says the call handler informed him that his account was still open and he was offered a new card for the account. He said that he hadn't received a replacement card for ten years after his previous card expired. Mr C said that his card declined in a shop when he tried to use it, as Lloyds had closed his account.

Mr C complained to Lloyds. Lloyds explained to Mr C that a business decision was made to close the type of credit card that Mr C held and that customers with dormant accounts were written to, explaining that their account would be closed on 27 January 2020 and there was no option to keep the account open.

Lloyds said that on the call Mr C had with them on 23 October 2019, a new card was ordered for him as he could use the credit card until the date of closure. They said it was made clear to him on the call that he could use the card, while the account was still open, the date of closure was confirmed and he was informed he could reapply for another credit card. Lloyds apologised if Mr C thought that they had misled him with his new credit card having an expiry date of October 2023. Lloyds offered Mr C £30 for inconvenience for being on the phone for a considerable amount of time, which Mr C declined the offer.

Mr C brought his complaint to our service. Our investigator said she didn't agree that Lloyds misled Mr C during his phone conversation with them in October 2019. While the call handler acknowledged that Mr C had said he would apply for the account to remain open, she didn't think their intention was to confirm the account would remain open past January 2020, given that Lloyds had already said the account was due to close and he could use the card until then.

Our investigator also didn't think Lloyds misled Mr C by sending him a new credit card with an expiry date of four years as Mr C already had notification via letter and from the telephone conversation that the account would be closing soon. She said with regards to the expiry dates on cards they reflect when the card will no longer work and not when an account will be closed.

Mr C asked for an Ombudsman to review his complaint. He said that Lloyds had admitted they had misled him by issuing him with a card with a four year expiry date, plus his protestations to keep the account open was reason enough to believe Lloyds had changed their earlier decision. He also said that Lloyds kept his account open for ten years when he didn't use the account, but they closed his account once he started using his new card. He asked whether Lloyds acted in error by issuing a card with an expiry date of four years instead of three months.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

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

Mr C has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

I've listened to the phone call that Mr C had with Lloyds in October 2019. The call handler tells Mr C "the account will be closed down unless you are thinking of using it in the future". Mr C indicates that he does want to use the account in the future. The call handler says "okay, you want to use it for the time it's still open", Mr C then explains "once I have the card and it's used then they can see there's use on it and I can apply for this to be not closed". The call handler says "sure sir I mean would you like a PIN number for that as well".

While the call handler acknowledges what Mr C had said, I'm persuaded he wasn't focusing on what Mr C was saying as he was ordering the new card at the time Mr C was talking. So I can understand why Mr C would be under the impression that he may be able to use his card past the closure date when he's finished this call. Although the call handler had said Mr C could use the card while his account was still open, the call handler also agreed with Mr C that he could apply for the account to "be not closed" and the call handler indicated the account would be closed down – unless Mr C was considering using it in the future, which Mr C was.

I'm persuaded that there was a breakdown of communication by the call handler here as whereas he says Mr C could be eligible to apply for another credit card once the account closes, the call handler doesn't correct Mr C when he talks about applying for the account to stay open and I'm persuaded he does give the impression the account could stay open if Mr C uses his card.

I've also considered what else happened before Mr C's account was closed. Lloyds say they wrote to Mr C on 13 December 2019, reiterating that his account would be closed. Mr C then had a call with Lloyds on 19 December 2019, which I've listened to.

The call handler explains to Mr C that after they had sent the original letter to him in October 2019, and before he had started to use the account again, "unfortunately, the dormancy process had already started, it was already a week into starting and that unfortunately is a one way street on that". The call handler explained that they were unable to reverse the decision and reiterated the card would be closed on 27 January 2020, to which Mr C responded "okay yeah".

The call handler explains to Mr C that he could apply for a separate credit card, so he could still have two credit cards with Lloyds, but reiterated that one of his credit cards would definitely be closed on 27 January 2020 and that was due to the inactivity on the account.

Mr C explains to the call handler that Lloyds sent him a new card even though the account was due to be closed down. The call handler told Mr C "they should never have sent you a card because the memo's/notes here saying no opt out of closure available and that's all in capital letters here". She goes on to say notes went on the system on 22 October to explain the pre-closure process had been started but the replacement card was ordered on 23 October. The call handler says "someone definitely dropped the ball with regards to that ordering of the card as there was absolutely no point in ordering the card. If they had just looked at the day before they would have been able to see the card was already in pre

closure status.”

So I’m persuaded, as confirmed by the December call handler, that the original call handler could have done a lot more to be clearer with Mr C. As a result of this, Mr C was inconvenienced by believing his account had a chance of staying open past the closure date he had been given. It was only two months later when Lloyds were clear to him that there was no chance the account could stay open.

If the original call handler had read the notes prior to reordering the card for Mr C, then he could have explained to Mr C that he could order him a new card, but the account would still be closed on 27 January 2020. Then he could’ve clarified if Mr C still wanted a new card. He also could have explained that the closure procedure had already started before Mr C rang and corrected Mr C when Mr C talked about using the new card so he could apply to keep the account open.

I’ve thought about what Mr C has said about Lloyds misleading him. And that Lloyds have admitted misleading him. But here, I’m persuaded that the call handler wasn’t paying attention to what Mr C was saying as he was ordering a new card. The wording of Lloyds final response letter apologises if Mr C thinks they have misled him, but it doesn’t say that they misled him. I also asked Lloyds about this. Lloyds say they did not say they misled him, just that they apologised if he thought they had misled him.

I’ve then thought about what Mr C has said about the new card being issued for four years and that is an indication that Lloyds had changed their mind about closing his account. And also what Mr C has said about if Lloyds had acted in error by issuing him a card with this expiry date instead of three months. But I can’t agree with either of these points. I say this as it is clear from December’s letter and phone call that Lloyds hadn’t changed their mind by issuing a card with a four year expiry date. As cards tend to be produced centrally, I asked Lloyds if their credit cards could be issued with a shorter expiry date.

Lloyds said that the expiry date would be set to the automated expiry for credit cards when they are produced and Lloyds wouldn’t stipulate how long a card was to be valid for. The only way a customer would get a card with a shorter expiry date is if they got a replacement card due to damage etc, then they would get a card issued showing the same remaining term as their existing card. While Mr C would not be aware of this, I can’t say that Lloyds did anything wrong here with the expiry date automatically being set.

I’ve then considered what Mr C has said about his account being open for ten years when he didn’t use his account but then his account was closed when he did start using his account. I can understand why it would seem that way to Mr C, however, the December call handler explained to him his account had already been set to close before he had his new card issued to him.

So I can’t agree with Mr C on this issue. Lloyds made a business decision to allow him to keep his account open for a number of years without using it, and they made a business decision to close the account – before he started using his card again – even though the closure formally happened after he had started using his card again. So, I can’t say Lloyds acted unreasonably here or closed his account only because he started using the card again.

As I’ve mentioned previously, I’m persuaded that the first phone call which Mr C had with Lloyds could have saved him a lot of inconvenience if the call handler had reiterated the contents of the letter and if he had been clear that the account under no circumstances could stay open (like the December call handler did). The ending of this phone call, whether the call handler was listening to what Mr C had asked or not, set an expectation for Mr C that he

could potentially use the account past the closure date so I can see why an expiry date past the closure date on Mr C's credit card may leave Mr C to believe they had changed their mind to close the account – although the expiry date was automatically set and the subsequent letter and phone call in December 2019 made it clear this wasn't possible.

So I've considered the £30 compensation that Lloyds have offered Mr C. But I'm not persuaded that this amount is fair considering all of the circumstances of his complaint. I say this as while I don't think it was intentional, the original call handler set an expectation for Mr C that he may be able to use his account past the closure date. And it was only two months after this when Mr C was sent a letter in December and had a clear conversation with another call handler which he definitively found out this wasn't the case.

It will have been disappointing to say the least for the new call handler to tell him that the original call handler "dropped the ball", the notes on the account were clear in capital letters that the pre-closure had started and that there was no point in the original call handler ordering Mr C a new card. So I think for the impact the events had on Mr C, I think it is reasonable to ask Lloyds to pay a further £70 compensation, taking the total compensation to £100.

I'm satisfied this amount is fair as Lloyds never intended to keep Mr C's account open once they had made the decision to close it. But I do think he was unintentionally inconvenienced by the discussion he had on the October phone call for the reasons I've already given. So I intend to ask Lloyds to put things right for Mr C."

I invited both parties to let me have any further submissions before I reached a final decision. Lloyds accepted my provisional decision. Mr C responded and said it was pleasing that I had given a more thorough examination of what happened. He also said that Lloyds did not afford him access to the second telephone recording, so this point should be considered accordingly.

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've considered what Mr C has said regarding Lloyds not affording him the access to the second telephone recording. But here, I can only focus on the merits of the complaint that Mr C has brought to our service, which didn't include any details about the second telephone call. I appreciate Mr C may have forgotten about his second call with Lloyds due to the time it's taken for his complaint to progress or he may not have been aware that the call was recorded, but as this has not been something which was included in Mr C's original complaint, unfortunately it is outside of my remit to consider this here, so Mr C may wish to speak directly to Lloyds regarding this point, however, I have included the salient points of the conversation in my provisional decision.

In summary, Mr C's response hasn't changed my view and my final decision and reasoning remains the same as in my provisional decision. I know Mr C will be disappointed that I can't consider what he's said about Lloyds not affording him the access to the second telephone call, but I hope he understand my reasons.

Putting things right

In my provisional decision I said I intend to ask Lloyds Bank PLC to pay Mr C a further £70 in addition to the £30 which they offered – a total of £100 for distress and inconvenience. I'm still satisfied this is a fair outcome for the reasons given previously.

My final decision

I uphold the complaint. Lloyds Bank PLC should pay Mr C a total of £100 for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 April 2022.

Gregory Sloanes
Ombudsman