

The complaint

Mr S complains that Lloyds Bank PLC (“Lloyds”) reduced his credit limit.

What happened

In August 2023 Lloyds reduced Mr S’s credit limit from £8,500 to £1,200. Mr S was unhappy with that decision. He complained to Lloyds about it, and about the poor service he’d received in relation to two transactions that were declined but shouldn’t have been. He was also unhappy with the amount of time he’d been left on hold.

Lloyds didn’t think they’d been unreasonable when they reduced Mr S’s credit limit, but they did offer compensation of £125 in relation to the trouble and upset caused by the transaction declines and call handling. Our investigator thought that was fair, but Mr S still disagreed, so his complaint has been referred to me, an ombudsman, for 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.

I understand Mr S’s frustration here, he wants a more detailed answer from Lloyds. I’ve read his detailed submission (April 2024) in which he set out why his impeccable credit history has led him to query Lloyds’ decision. For brevity, I will not refer to that submission in detail here, but I’d like to assure Mr S that I have considered everything he has said.

The terms and conditions of Mr S’s credit card (section B1) allowed Lloyds to reduce his credit limit at any time.

The Standards of Lending Practice set out by the Lending Standards Board (LSB) say that a firm should explain the main reason for refusing to lend. I think Lloyds did that. They explained that they had reduced Mr S’s credit limit following a review of information provided by the Credit Reference Agencies and after reviewing his account history. It’s for Lloyds to decide on their appetite for risk and the parameters they use to assess that risk; as long as those parameters are reasonable. I’ve not been persuaded they were unreasonable here.

Firms are understandably reluctant to give consumers notice of changes to their credit limits as they are concerned that may lead to consumers maxing out their credit utilisation and becoming over indebted. But I wouldn’t think it reasonable to reduce a credit limit if that decision presented financial difficulty for a consumer. When Lloyds reduced the limit it appears to have resulted in a couple of transactions being declined but I can see that Lloyds compensated Mr S for that and for the poor customer service he received. I think that compensation was sufficient in the circumstances. At the point they made their decision to reduce the credit limit I think there would have appeared to be ample headroom for Mr S; he was using only about 75% of the new limit. I don’t think it would be reasonable to suggest there is evidence the reduction in credit caused him any financial difficulties. In May this year Mr S explained to us that the balance in the previous month hadn’t proven to be enough to cover his day to day spending, but that was long after Lloyds’ decision to reduce his limit and

I'm not persuaded that the initial limit decrease caused him financial loss or significant distress.

Ultimately, I am not persuaded that Lloyds have been unreasonable here and I'm not asking them to take any further action

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 26 July 2024.

Phillip McMahon
Ombudsman