

## **The complaint**

Mr M complains about Lloyds Bank PLC account charges that caused financial hardship and that it irresponsibly increased his overdraft limit.

## **What happened**

Mr M says Lloyds account charges have caused him financial hardship over many years. He says he has had a gambling habit and as a result used payday lending and his overdraft but Lloyds irresponsibly increased his overdraft limit on two occasions. Mr M says he applied online for an increase in December 2018 from £1,000 to £1,500 and then some weeks later to £1,700. He says the lending was unaffordable and it ought to have been obvious to Lloyds. Mr M says he was later told by Lloyds in branch that if he had applied for the overdraft limit in branch then the applications would not have been approved. He would like the charges refunded and any adverse information removed from his credit file and says a family member was able to clear some of his payday lending and debt. Mr M also complains that Lloyds told him it couldn't place a restriction on the account to prevent a further overdraft increase after it had been paid off.

Lloyds accepts it could have dealt with the overdraft restriction more appropriately and has paid £50 compensation for the inconvenience caused. It says it wasn't aware of any financial difficulty and says the charges were correctly applied. It also says the two applications were credit scored and whilst Mr M inflated his income he was in full time employment.

Mr M brought his complaint to us and our investigator didn't uphold it. The investigator thought the charges were applied in line with account terms and conditions and couldn't be challenged on the grounds they were too high and so unfair. She also thought Lloyds had made attempts over the years to speak to Mr M when he exceeded his overdraft and didn't think it unreasonable to allow the increases. The investigator thought Lloyds had carried out reasonable and proportionate checks and that Mr M had repaid his pay day lending by the middle of 2018 and had acted positively and sympathetically towards Mr M. The investigator thought the compensation was fair and reasonable.

Mr M doesn't accept that view and in summary says Lloyds didn't help him and ought to have questioned why he applied for two overdraft limit increases. He says he was told that they would not have been granted in branch and that is his main complaint. Mr M also says his family member complained on his behalf about this issue in around 2012.

## **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. Having done so, I have come to the overall view that Lloyds hasn't acted unfairly and its lending was not irresponsible. I appreciate how strongly Mr M and his family feel about this complaint and about lending generally to those with spending issues and that they will be disappointed by my decision.

The investigator has explained that following a Supreme Court case it was held that bank charges can't be challenged on the grounds they are too high and so unfair. I appreciate that isn't the main part of the complaint but I make that clear. I'm satisfied that Mr M is likely to have agreed to Lloyds account terms and conditions and I have not seen any evidence that the charges were not correctly applied in line with those terms and conditions.

The main part of the complaint is the two overdraft limit increases that Mr M applied for in late 2018 and early 2019. We would expect any lender to carry out proportionate and appropriate checks before agreeing any form of lending. But I also think the level of the checks will be different depending on for example the amount of lending and length of borrowing.

I appreciate that Mr M has had gambling problems and has used payday lending to support his income. But I also think that it's up to Mr M to decide what he spends his money on. I have looked at the applications and Mr M's credit file as well as his account statements. I'm satisfied that the overdraft increase in total was for a relatively modest amount of £700 and that both applications were checked and credit scored by Lloyds and that Mr M was receiving a regular monthly salary of about £2,000. So I'm satisfied that in the circumstances Lloyds carried out proportionate and appropriate checks on the applications and it didn't act unreasonably by approving the applications. I don't think Mr M had any adverse information on his credit file such as a default and I can see that his payday lending had been paid off some months before the applications. I appreciate Mr M's family may have paid of that lending but I don't think Lloyds would have been aware of that and I'm satisfied that in the months leading up to the applications there are limited gambling transactions recorded on the account statements.

I don't think it possible to know what would have happened if Mr M had applied for the overdraft increases in branch. And I have no reason to think the outcome would have been any different for the reasons I have explained.

I accept that there is a difficult balance for banks and building societies when a customer has any spending issues. I can see that Lloyds made attempts to speak to Mr M about his account when he had exceeded his overdraft limit but that was some time before these applications. But I accept that when Mr M and his family told Lloyds about the problem and paid off the overdraft that Lloyds ought to have provided more support. I don't think Lloyds has explained why it couldn't place a restriction on the account immediately to prevent Mr M applying for further overdraft increases but I think it's paid a fair and reasonable amount of compensation for that. And I think it did eventually apply those account restrictions and that there wasn't any further increase in the overdraft limit which at the time was £100.

Overall I'm satisfied that Lloyds didn't lend irresponsibly by approving the overdraft limit increases and so in those circumstances I can't fairly order Lloyds to refund any charges applied to the account. I also don't think it matters that some eight years ago Mr M had made a similar complaint. And can see that Lloyds dealt with that complaint at the time. I don't think that it ought to have considered that when assessing these applications some years later.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 12 September 2020.

David Singh

**Ombudsman**