DRN-2151349

The complaint

Mr T complains about a loan from Lloyds Bank PLC which he says was made irresponsibly. He wants a freeze on interest and an affordable payment arrangement.

What happened

Mr T tells us that he took out a *"top up"* loan in March 2019 for over £18,000. He says he's got a gambling problem. He doesn't believe that the checks made by Lloyds were adequate. And he feels the loan should never have been offered to him.

Lloyds told us that the application had been made online. And that Mr T's application had passed its credit reference checks and internal scoring process. It said it hadn't been aware of Mr T's gambling issue until August 2019. And that it had since taken steps to offer him assistance in the repayment of the loan including a freeze on interest and a payment arrangement.

Our investigator didn't recommend that the complaint should be upheld. She said that Lloyds had carried out checks. And that Mr T's existing loan with it had a good repayment history. She found that Lloyds hadn't known about Mr T's gambling problem at the time the loan was granted. And that his credit file didn't show adverse information or suggest there'd be any difficulty in him making repayments.

Mr T didn't agree with this outcome. As it's not been possible to resolve this complaint an ombudsman's been asked to make the 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 empathise with Mr T and accept that it can be very difficult to realise when a perfectly normal leisure activity such as gambling, becomes out of control. And I understand the upset and stress that this can cause along with the attendant financial difficulties.

I think it's helpful to explain that where there's a complaint about irresponsible or unaffordable lending, the decision I have to make is based on the circumstances at the time the loan was made. And not upon subsequent events.

In short, I've to determine what a business knew, or ought reasonably to have known, when it made the lending decision. And whether based on those factors it was reasonable for it to provide the loan.

Before granting a loan, a business is expected to carry out reasonable and proportionate checks to see if the lending is affordable for the applicant. There's no fixed list of checks and each business would be entitled to carry out such enquiries as it considered necessary in the light of the particular circumstances.

What is reasonable and proportionate depends, amongst other things, on the size of the loan, the cost of the repayments, the applicant's lending history, and what the business already knew about the applicant.

The application made by Mr T was carried out online. Mr T provided details of his monthly salary. Although it seems he provided no details of outgoings. But lenders typically make certain assumptions about expenditure (in addition to that information which a consumer provides). So that even where a consumer doesn't declare outgoings there will be a sum for living expenses factored into the assessment.

I've seen that Lloyds carried out a credit check and applied its internal scoring process to Mr T's application. Whilst Mr T has said that he'd applied numerous times previously – and been rejected - each application would be separately assessed on the date of application. And as the elements which affect credit scores are frequently updated or changed it's not unusual for an application to have been declined before later being accepted.

I've looked at Mr T's credit record. And at the time the loan was made I didn't see any adverse information or other cause for concern which might've alerted Lloyds to potential future problems. And it also had the benefit of seeing how Mr T had discharged his existing debt with it. This showed a good repayment record.

The loan settled the outstanding debt with Lloyds. And the £10,000 remaining was then largely used to settle other debts. Again it's not usual for individuals to seek the convenience of consolidating several existing loans into one payment.

Whilst Lloyds didn't ask to see Mr T's bank statements before granting the loan, had it done so it would've confirmed his salary. And also that he appeared to be adequately managing his finances. Whilst living up to the level of his income, he seems to have had a small credit balance at the end of most months. And I wouldn't expect that the presence of gambling transactions on a statement – in the absence of other factors relating to vulnerability or affordability – to be sufficient to prevent a loan being offered.

The information with which I've been provided, indicates that Lloyds was unaware of Mr T's gambling issue until August 2019. My understanding is that Lloyds has subsequently referred Mr T to its Customer Priority Team. And that it also agreed a repayment plan and a freeze on interest whilst it conducted a full budget assessment.

In summary, I find that Lloyds carried out reasonable and proportionate checks prior to granting this loan. And that based on the information available at the time, it made a reasonable decision to provide the credit to Mr T. Accordingly, I don't find this loan was made irresponsibly or that it was unaffordable. I don't uphold this complaint.

Going forward, we'd expect Lloyds to show forbearance and due consideration to Mr T in his efforts to repay the loan.

My final decision

For the reasons given above, my final decision is I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 July 2021.

Stephen Ross
Ombudsman