

The complaint

Mr S has complained that Lloyds Bank PLC (“Lloyds”) acted irresponsibly by approving him for two overdrafts with a limit of £4,000 each without carrying out proper checks.

What happened

Mr S held a bank account with Lloyds. On 2 February 2018 Mr S applied on-line for and was approved for an overdraft with a limit of £4,000. A further overdraft was approved on 24 February again with a limit of £4,000. Mr S contacted Lloyds a few days later and informed it of a gambling addiction and other medical conditions he suffered from and his accounts were moved to collections.

While Mr S managed to pay off one of the overdrafts the other was passed to collections and in November 2020 and a repayment plan was agreed of £100 a month for six months.

Mr S complained to Lloyds that it lent to him irresponsibly without carrying out the proper checks. Lloyds said it carried out the correct checks and based on the results the overdrafts appeared to be affordable. While Mr S has said that he inflated his income on both overdraft applications, on review Lloyds looked over Mr S’s statements in the months leading up to the application and found that he had a income higher than he had reported – so thought it had acted fairly by approving the overdrafts.

Mr S was dis-satisfied with this and bought his complaint to this service.

An adjudicator looked at this complaint and following a review of Mr S’s bank statements thought that the income Mr S had declared was in the range he was receiving. But because Mr S’s had previously got into trouble with gambling on his account with Lloyds in 2016 and there were recent substantial gambling transactions showing on his bank statements – he didn’t think its checks went far enough. If Lloyds had looked at how Mr S managed his account before he applied for the overdrafts it ought to have realised Mr S wouldn’t have been able to sustainably repay the overdraft and it shouldn’t have approved the application.

To put things right our adjudicator recommended:

- Refund interest and fees, along with 8% simple interest for account ending *2868 to reduce the outstanding balance on account ending *2463.
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- write off the remaining balance on account *15441544454. His credit file should also reflect the balance has been written off.
- If Mr S disagrees with the above, then allow for him to continue to make repayments towards the outstanding balance.

Lloyds accepted our adjudicator’s recommendations. But since the view was issued Mr S has now paid off his overdraft and doesn’t want to accept this offer. Mr S would like to Lloyds to pay him back the sum of the overdraft and other borrowing he had with Lloyds to the sum

of £12,000 and would like his credit history cleared.

Mr S has asked for an ombudsman 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.

Firstly, just to be clear this decision only deals with the overdraft lending by Lloyds in 2018. I hope Mr S won't take it as a discourtesy that I've condensed his complaint in the way that I have. Ours is an informal dispute resolution service and I've concentrated on what I consider to be the crux of the complaint – that the lending was irresponsible. Our rules allow me to do that. the.

Having carefully considered everything, I think that what Lloyds has already agreed to do to put things right for Mr S is fair and reasonable in all the circumstances of this complaint.

It might help for me to start by explaining that where a business accepts (or we decide) it did something wrong, we'd expect the business to put the consumer in the position they would be in if that wrong hadn't taken place. And in an ideal world, we'd tell a business to put a consumer in the position they'd now be in if they hadn't been charged the fees and given the credit they shouldn't have and we *may* award modest compensation.

So where a business continues to allow a consumer to use a credit facility which it should have realised was unsustainable, we'd typically expect it to put the consumer in the position they'd be in now if they hadn't paid any further interest and charges on that credit. This means we'd normally expect a lender to refund the interest and charges added to any credit from the point the lender ought to have realised it was unsustainable.

And in this case after a review of Mr S's statements, I'm in agreement with our adjudicator that Lloyds checks didn't go far enough before they approved the lending. I think that if Lloyds had done proper checks it would've seen that it previously had to take action in 2016 on Mr S's overdraft when he notified it he had issues with gambling. This knowledge coupled with the fact Mr S's statements show he was again gambling large amounts in 2017 and at the time the second overdraft was applied for, ought to have shown that it was likely the funds were going to be used for gambling and that Mr S was at a significant risk of being unable to repay what he owed.

Lloyds has accepted this view and agreed to the recommendations listed above. But as Mr S has already paid off the debt all Lloyds is left to do is refund all the interest, fees and charges along with 8% simple interest from when the overdraft was approved.

I understand Mr S would like to claim back the lending. But Mr S used and benefitted from his overdraft and he has shown that he was able to pay it back. So in the circumstances I don't think it would be fair to ask Lloyds to give the money back.

Mr S would also like Lloyds to clear his credit file and remove any negative information it holds on him. But Lloyds have a duty to report factually accurate information to the credit reference agencies it subscribes to. Indeed, it is this information that is used to ensure lending isn't irresponsible. So providing the information reported is factually accurate Lloyds is obligated to report it.

So bearing all this in mind I'm satisfied that what Lloyds has already agreed to do to put things right for Mr S is fair and reasonable in all the circumstances of this case and I'm not requiring it to do anything more.

My final decision

For the reasons I've explained, I'm satisfied that what Lloyds Bank PLC has already agreed to do to put things right for Mr S is fair and reasonable in the circumstances of this case. So I'm not requiring it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 July 2022.

Caroline Davies
Ombudsman