

The complaint

Mr P is unhappy that Lloyds Bank PLC approved him for a loan which he feels was unaffordable for him at that time.

What happened

In 2015, Mr P applied for a loan with Lloyds. The loan application was approved. The loan was for £13,900 to be repaid over a term of six years, with Mr P's stated purpose for the loan being to refinance existing debt.

In 2020, Mr P raised a complaint with Lloyds on the basis that he felt that the loan hadn't been affordable for him at that time.

Lloyds looked at Mr P's complaint, but they noted that the loan had been used for debt refinancing and that it had resulted in Mr P's debt repayments reducing by approximately £200 per month. Because of this, Lloyds felt that the loan had been of financial benefit to Mr P, and so they didn't uphold his complaint.

Mr P wasn't satisfied with Lloyds response, so he referred his complaint to this service. One of our investigators looked at this complaint, but they also felt that the loan had been of financial benefit to Mr L and they felt that Lloyds hadn't acted unreasonably or unfairly towards Mr P by providing the loan to him. So, they also didn't uphold Mr P's complaint.

Mr P remained dissatisfied, so the matter was escalated to 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.

It's notable that Mr P applied for this loan to refinance existing debt. Indeed, the stated purpose of the loan was for Mr P to make payments to reduce or clear debt from several other accounts, including a credit card and other loans held with Lloyds as well as other existing credit accounts held with other credit providers.

This means that, by taking this loan to pay off other debt, Mr P's overall existing amount of debt wasn't projected to increase. Conversely, by making the payments to reduce or clear his existing debt that Mr P had stated he would when applying for the loan, the impact of the loan on Mr P would be that his cumulative monthly debt repayments would be reduced by approximately £200 per month.

Taking these factors into account, it's very difficult to reach any conclusion other than the loan was beneficial to Mr P and that it was affordable for him, given that it improved his financial position by £200 a month meaning that it would have been to Mr P's financial detriment to have not taken the loan.

Additionally, when Mr P took the loan, one of his stated intentions was to make a payment to reduce the balance outstanding on his Lloyds credit card account, and it was recognised by Lloyds at that time that the credit limit on the credit card account should be reduced following this payment so that Mr P couldn't re-use the credit card to fall further into debt.

This seems reasonable to me, and I'm satisfied that this further demonstrates that Lloyds approved the provision of the loan to Mr P with an understanding and appreciation of his financial position at that time in mind – a financial position which, as already mentioned, was improved by Mr P being granted the refinancing loan.

It's also notable that Mr P was able to make the monthly repayments required by the loan without incident for over a year. This suggests that the loan was affordable for Mr P at the time that it was taken, but that Mr P's financial position later deteriorated.

All of which means that I don't feel that I can fairly or reasonably conclude that Lloyds acted unfairly or unreasonably towards Mr P by providing him with this loan, and it follows that my final decision here will be that I won't be upholding this complaint or instructing Lloyds to take any further action at this time.

I realise that this won't be the outcome that Mr P wanted, but I hope that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 3 February 2022.

Paul Cooper
Ombudsman