

The complaint

Mr S complains that Lloyds Bank PLC (“Lloyds”) has treated him unfairly in relation to a loan.

What happened

The background of this complaint is well known to all parties, so I’ve summarised events.

- Mr L took out a loan online with Lloyds in December 2019. The loan was £8,704.93 over 58 months, with a monthly repayment of £221.94 with the purpose of debt consolidation due to a preferable interest rate.
- Lloyds has acknowledged Mr L used a proportion of the sum towards settling existing debt, but the majority was spent on gambling services.
- At the time of the application, Mr L told Lloyds his monthly take home pay was £1,750, and that his rent and debt outgoings was £500.
- Mr L says Lloyds acted irresponsibly by providing this loan as he had other loans at the time. And that he had a gambling problem around this time. Mr L contacted Lloyds in August 2020 to let it know of his addiction.
- Lloyds said it had completed checks using what it knew about Mr L, as well as information from credit reference agencies. It said it also completed affordability checks using information Mr L provided to estimate monthly minimum repayments on what he already owed. And it estimated expected day to day living costs. So it disagreed it acted irresponsibly when providing the lending.
- Our Investigator looked into what happened and didn’t uphold the complaint. She was satisfied Lloyds carried out proportionate checks when assessing his loan application. And that his statements and details from the time didn’t indicate the financial difficulties he’s described.
- Mr L disagreed. He said his outgoings were greater than the sum he told Lloyds at the time of the application (£500). He also said he had spent over £2,500 on gambling within two weeks prior to the loan application, and had 55 gambling transactions the month before totalling around £1,500. He said this was evidence of his gambling addiction.
- Our Investigator didn’t change her mind, saying it was reasonable for Lloyds to rely on the figures provided by Mr L at the time. She also said it wasn’t proportionate for Lloyds to check Mr L’s bank statements.

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.

- The relevant rules and guidance from the Financial Conduct Authority’s (FCA) Consumer Credit sourcebook required Lloyds to undertake a reasonable assessment of Mr L’s creditworthiness when deciding to lend to him.

- Lloyds has its own processes and approach to risk when providing credit, but I have to consider whether it has met the requirement of undertaking a reasonable assessment in these particular circumstances.
- In line with the above rules, I've looked at whether Lloyds reasonably considered the information provided to it by Mr L, the information it already held, his ability to make repayments each month, and any information it could obtain from credit reference agencies and his credit file.
- Mr L says the information input into the application was not correct as his rent alone was higher than the total outgoings he'd listed at £500. This may be the case, but it seems most likely to me Mr L had input this figure himself given the nature of the online application. And on its face, I'm not persuaded Lloyds had reason to believe this wasn't accurate, and it acted fairly by relying on this information as it did.
- Lloyds also considered various factors when assessing his creditworthiness including credit commitments elsewhere alongside information he provided. Based on this information, it's clear that Mr L passed its checks which is why the loan went ahead. Mr L has indicated Lloyds should've reviewed his statements from around the time and it would've seen he'd spent a considerable sum on gambling. And he's suggested it should've challenged the information he gave.
- Lloyds has said it doesn't check statements as part of its application process. And in this instance, I think this was reasonable. I say this as I'm satisfied it did carry out a range of checks proportionate to the lending in question. And while I understand Mr L's frustration with the lending potentially being based on inaccurate information, I don't think it's fair or reasonable in this instance to hold Lloyds responsible for that.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 12 April 2022.

Jack Baldry
Ombudsman