

The complaint

Miss B and Mr L complain that Lloyds Bank PLC lent irresponsibly when it approved their loan application. Miss B and Mr L also complain that Lloyds advised they could renegotiate the interest rate once the loan was active.

What happened

In August 2011 Miss B and Mr L applied for a loan for £22,000 over 84 months. The loan application was made to consolidate other debts and fund some home improvements. In the application Miss B and Mr L gave details of their income and regular outgoings. Lloyds says it carried out a credit check and took information it found into consideration.

Miss B and Mr L have told us branch staff advised they could renegotiate the interest rate during the loan term. The application was approved and the funds released.

Miss B and Mr L have explained they struggled to maintain payments over the term and complained Lloyds lent irresponsibly. Lloyds issued a final response on 2 June 2021. Lloyds apologised as it found Miss B and Mr L had originally complained about irresponsible lending in 2014 but it had failed to respond. Lloyds paid Miss B and Mr L £150 to apologise for the delay.

Lloyds didn't agree it had lent irresponsibly and didn't uphold the overall complaint. Miss B and Mr L referred their complaint to this service and it was passed to an investigator. They thought Lloyds had dealt with the complaint fairly and didn't ask it to take any further action. Miss B and Mr L asked to appeal so their complaint has been passed to me to make a 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.

Before agreeing to lend, the rules say Lloyds had to complete reasonable and proportionate checks to ensure Miss B and Mr L could afford to repay the debt in a sustainable way. These affordability checks needed to be focused on the borrowers' circumstances. The nature of what's considered reasonable and proportionate will vary depending on various factors like:

- The amount of credit;
- The total sum repayable and the size of regular repayments;
- The duration of the agreement;
- The costs of the credit; and
- The consumer's individual circumstances.

That means there's no set list of checks a lender must complete. But lenders are required to consider the above points when deciding what's reasonable and proportionate.

In this case, Lloyds took details of Miss B and Mr L's income in the application. They also used outgoing figures for items like utilities, insurance, Council Tax, food and transport. In addition, Lloyds looked at Miss B and Mr L's credit files. I understand the basis of the application was to consolidate other debts and fund some home improvements. Lloyds has provided details of its lending assessment that says the monthly payment was sustainable based on Miss B and Mr L's disposable income.

Businesses don't have to verify every piece of information a consumer provides in the application and there's no requirement to get proof of income or bank statements. I've looked at the statements Miss B and Mr L have provided from the time. I note the income figures provided are broadly in line with what they said in the application. I haven't seen anything that indicates the information Lloyds used in the application should've caused it to carry out further checks.

I'm sorry to disappoint Miss B and Mr L but I haven't found that Lloyds lent irresponsibly. The intention of the loan was to consolidate other debts and reduce Miss B and Mr L's outgoings. In my view, the checks completed were proportionate to the application Miss B and Mr L made and Lloyds' decision to approve the loan was reasonable.

Miss B and Mr L have also complained that Lloyds told them it would be possible to renegotiate the interest rate during the term. Lloyds has advised the interest rate was fixed for the term of the loan as set out in the credit agreement. The credit agreement and associated terms sets out the basis for the loan. I understand my decision is likely to come as a disappointment for Miss B and Mr L but I'm satisfied the interest rate applied to their loan was in line with the credit agreement.

As I'm satisfied Lloyds has dealt with Miss B and Mr L's complaint fairly I'm not telling it to do anything else.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B and Mr L to accept or reject my decision before 4 May 2022.

Marco Manente
Ombudsman