

## **The complaint**

Mr C says that Lloyds Bank PLC ("Lloyds") acted irresponsibly by allowing him to increase his overdraft limit to £5,000. He says Lloyds failed to carry out the correct credit checks.

## **What happened**

One of our adjudicators looked into Mr C's concerns and didn't think there was anything in the information Mr C provided on the overdraft applications or within his account history which suggested he wouldn't be able to repay his overdraft within a reasonable period of time and didn't think Lloyds had done anything wrong or treated Mr C unfairly.

Mr C disagreed, he says if Lloyds had done the correct credit checks it would have seen he had defaults and had only finished paying off a debt management plan. So the complaint was passed 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.

We've set out our general approach to complaints about irresponsible lending - including the key rules, guidance and good industry practice - on our website. And I've referred to this when deciding Mr C's complaint. Having considered everything provided, I've decided not to uphold Mr C's complaint. I'll explain why in a little more detail.

Lloyds needed to make sure that it didn't lend irresponsibly. In practice, what this means is Lloyds needed to carry out proportionate checks to be able to understand whether Mr C would be able to repay what he was being lent before providing any credit to him. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate.

Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship. But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty.

I've kept all of this in mind when thinking about whether Lloyds did what it needed to before agreeing to Mr C's overdraft. Mr C was given what was an open-ended credit facility. So overall this means the checks Lloyds carried out had to provide enough for it to be able to understand whether Mr C would be able to repay his overdraft within a reasonable period of time.

Lloyds says Mr C had an initial overdraft of £250 in September 2017 which had increased to £5,000 by December 2018. Mr C's initial overdraft application was fully credit scored taking into account information Mr C provided about his income and how Mr C had managed his

accounts held with it, as well as information held by other lenders provided through credit reference checks. And based on this information Lloyds was satisfied his score was high enough to provide him with the overdraft facility and limit he requested.

I accept that Mr C may well have had defaults recorded on his credit file but I can see that at the time his initial overdraft was approved the defaults were a few months prior to this and given the amount being lent was relatively low (£250). So I don't think Lloyds was irresponsible in approving the overdraft.

And having reviewed Mr C's bank statements for the period of when he was first granted his overdraft of £250 up to the last increase of £5,000, again, I don't think Lloyds acted irresponsibly by approving the limit increases. Lloyds say the limit increases were based on the conduct of the account and as the defaults were historical (over a year old), they wouldn't have impacted the increases. The statements show the incomings and expenditure declared on the applications by Mr C equated to what is shown on the statements and in the applications where no expenditure was declared Lloyds have told us it estimated the monthly minimum repayments on what Mr C owed.

I can see that although the overdraft facility was used the account mainly showed a credit balance until September 2018 and had a healthy level of incomings into the account and that even after September overall the overdraft was reducing. I can also see and that there were some large gambling transactions out of the account following the last increase in December 2018 and payments in the thousands to an investment company which I think suggests Mr C would've been able to repay his overdraft within a reasonable period of time.

I accept that Mr C's financial position may well have been worse than the check carried out showed or in any information he disclosed to Lloyds at the time. And it is possible that further checks might have told Lloyds this. But Lloyds was reasonably entitled to rely on the credit checks it carried out and given the conduct of the account and the credits going into the account, I don't think that it was unreasonable for Lloyds to conclude Mr C would be able to repay the additional funds within a reasonable period of time.

I'd also expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly. As I mentioned above following the last increase, I can see that there were large payments out to an investment company and gambling transactions - but Mr C was still well within his overdraft limit. So I can't see anything on the statements themselves which show Lloyds ought to have known Mr C was struggling financially before he contacted it about this. And following this Lloyds assisted Mr C by putting a stop on the daily overdraft interest and consolidating his overdraft debt into a loan in March 2019.

This is in-line with what I'd expect a bank to do when contacted by a customer who is financially struggling, so I'm satisfied the action Lloyds took in the circumstances was appropriate. And I don't think that Lloyds treated Mr C unfairly or unreasonably which means that I'm not upholding this complaint.

**My final decision**

For the reasons I've explained, I'm not upholding Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 5 July 2022.

Caroline Davies  
**Ombudsman**