

The complaint

Mr D says Lloyds Bank PLC (“Lloyds”) acted irresponsibly by allowing him an overdraft and increasing his limit to £5,000 when it ought to have known he had a gambling disorder.

What happened

Mr D held an account with an overdraft with a limit of £1,050 in June 2017. The overdraft limit was increased to £3,000 in February and £5,000 in March 2018. Mr D paid off his overdraft and closed the account in October 2018.

Mr D complained to Lloyds that it was irresponsible to approve an overdraft for him considering his gambling disorder which would’ve been apparent from the activity on his accounts.

Lloyds said when deciding on whether to approve the lending it looked at Mr D’s income and expenditure as well as information held with external credit reference agencies and as Mr D passed all checks it agreed to the amount of borrowing requested.

One of our adjudicators looked into Mr D’s concerns and didn’t think there was anything within the credit checks and information Mr D provided when he applied for the overdraft that should have led to Lloyds questioning the lending. And although there was evidence of gambling, they didn’t think there was enough evidence to conclude the overdraft was unsustainable.

Mr D disagreed and has asked for an ombudsman’s 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 D’s complaint. Having considered everything provided, I’ve decided not to uphold Mr D’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 D 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.

Mr D 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 D would be able to repay his overdraft within a reasonable period of time.

Lloyds says Mr D's overdraft limit was increased to £1,050 in June 2017 and reached its highest limit of £5,000 in March 2018. Lloyds have also told us Mr D closed his account and paid off the overdraft in October 2018. I can see from Mr D's bank statements for this period that prior to being approved for a limit increase Mr D was using his account mainly for gambling and other non-committed discretionary transactions and it doesn't appear to have any priority bills coming out. I can see that in the months leading up to the overdraft limit increases although Mr D did use his overdraft most months he saw and maintained a credit balance and had a healthy salary coming in.

Lloyds have told us that Mr D applied for his overdraft limit increases online and his applications were fully credit scored taking into account information Mr D provided about his income and expenditure as well as information held by other external agencies provided through credit reference checks. Lloyds say no adverse information showed up on the credit checks carried out and Mr D's application shows that he had incomings declared of £5,300 and outgoings of £2,600. Based on this information Lloyds was satisfied his score was high enough to provide him with the overdraft facility and limits he requested.

I accept that Mr D was using the account for gambling, but it is not for Lloyds to decide what he spends his money on or his time doing. What Lloyds needed to decide was whether the repayments were sustainable, and the lending was affordable. I also accept his financial position may well have been worse than the credit checks 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 check it carried out. And given the incomings into the account were enough to clear the overdraft on a monthly basis and Mr D didn't appear to have a problem meeting any of his priority bills I think Lloyds checks went far enough.

So I don't agree that Lloyds acted irresponsibly by approving Mr D for an overdraft and the increased limits he requested. Lloyds carried out the appropriate credit check on Mr D and were entitled to rely on the information provided to it when assessing Mr D's overdraft applications. And given the historical credits going into the account I don't think that it was unreasonable for Lloyds to conclude Mr D would be able to repay the funds within a reasonable period of time.

This means that I don't agree Lloyds provided Mr D with an overdraft unfairly or irresponsibly. That said, even though Mr D's overdraft wasn't approved irresponsibly, Lloyds still won't have acted fairly and reasonably towards Mr D if it applied any interest, fees and charges to Mr D's account in circumstances where it was aware, or it ought fairly and reasonably to have been aware Mr D was experiencing financial difficulty.

So I've considered whether there were instances where Lloyds didn't treat Mr D fairly and reasonably. I don't think that Lloyds did treat Mr D unfairly or unreasonably though. I say this because having looked at Mr D's statements I can't see anything to suggest that Lloyds ought to have realised he might have been experiencing financial difficulty.

I accept that from around February 2018 Mr D did mainly use his overdraft for gambling and for large amounts. But as stated above Mr D was able to see a credit balance on a monthly basis and I've seen nothing to show me that his priority bills weren't being met elsewhere. And Mr D did manage to pay off his overdraft and close his account within seven months of his highest limit being approved.

Of course this doesn't necessarily mean Mr D wasn't experiencing financial difficulty. But there isn't anything in these transactions in themselves which ought to have alerted Lloyds to any potential financial difficulty. And in these circumstances, I don't think that it was unreasonable for Lloyds to proceed with adding the interest, fees and charges it did.

So I don't think that Lloyds treated Mr D unfairly or unreasonably which means that I'm not upholding this complaint.

My final decision

For the reasons I've explained, I do not uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 28 March 2023.

Caroline Davies
Ombudsman