

The complaint

Mr L complains that Lloyds Bank PLC lent to him irresponsibly.

What happened

Mr L complains about a loan for £15,000 advanced by Lloyds in September 2019. The loan was repayable by 59 monthly repayments of £406.09.

Mr L complained that the lending was irresponsible. He said he didn't think Lloyds had carried out enough checks to make sure the loan repayments were affordable for him.

Lloyds didn't uphold the complaint. It said it had carried out reasonable and proportionate checks before lending to Mr L and that the information it obtained showed that the lending was affordable.

Mr L wasn't happy with the response and complained to this service.

Our investigator didn't think Lloyds had acted unfairly. He said that although he thought Lloyds should've carried out further checks, the information Lloyds would've gathered from further checks didn't suggest that the loan was unaffordable for Mr L.

Mr L didn't agree. He said his income and outgoings at the time didn't leave him with enough to repay the loan. He said he had a lot of other debt at the time.

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.

Our approach to complaints about unaffordable and irresponsible lending is set out on our website, including the relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr L's complaint.

Lloyds needed to take reasonable and proportionate steps to ensure it didn't lend to Mr L irresponsibly. This meant it should've carried out proportionate checks to satisfy itself that Mr L could afford to repay the loan in a sustainable way. These checks could take into account a number of things, such as the loan amount, the repayment amount and Mr L's income and expenditure.

Lloyds carried out some checks before lending to Mr L, but given the size of the loan and the term, I don't think these checks were detailed enough.

I think it would've been proportionate for Lloyds to have carried out further checks to verify Mr L's income and assess his essential expenditure.

This service asked Mr L to provide his credit report and bank statements for the time when the loan application was made in order to see what proportionate checks would've shown, had they been completed.

I've reviewed this information. The credit report shows that Mr L had three credit cards at the time of the loan application, a mail order account and an unsecured loan. The credit report shows that all accounts were up to date with no history of missed or late payments. There's nothing to suggest that Mr L was under any financial pressure or struggling to make repayments.

Mr L used the Lloyds loan to refinance his debts, which included settling his loan and relaying one of the credit cards. So any affordability assessment would've taken this into account. The bank statements show that following the debt consolidation, Mr L would've been repaying £76 towards his credit cards and £17 towards his mail order account.

I've also looked at Mr L's bank statements to assess his essential expenditure. Essential expenditure includes things like rent/housing costs, utility bills, food and travel costs. Mr L has said that he wasn't left with enough income each month to afford the loan repayments. However, Mr L's calculations are based on an expenditure figure which I think is larger than his essential expenditure, because he's included non-essential expenditure. Based on my assessment of Mr L's income and expenditure, I don't think there's anything to suggest that the loan wasn't affordable for Mr L.

If Lloyds had carried out proportionate checks, I still think it would've approved the loan on the basis that it was affordable for Mr L and there was no evidence to suggest that he wouldn't be able to sustainably make repayments. Because of this, I'm unable to say that Lloyds lent irresponsibly.

My final decision

My final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 3 May 2023.

Emma Davy
Ombudsman