

The complaint

Mrs D complains that Lloyds Bank PLC irresponsibly allowed her to open two credit card accounts which were unaffordable.

What happened

Mrs D opened two credit card accounts in 2018 and 2019 which she says were unaffordable. She says she was only able to repay the minimum amount and would like all interest refunded. She would also like any adverse information removed from her credit file.

Lloyds says it carried out appropriate checks on Mrs D's application and on her credit file. It says there was no adverse information recorded on her credit file and she didn't tell it about any difficulties until recently.

Mrs D brought her complaint to us, and our investigator upheld it. The investigator didn't think Lloyds had carried out appropriate checks and hadn't clarified Mrs D's outgoings when she declared she didn't have such outgoings such as mortgage payments. The investigator recommended interest and charges be refunded and any adverse information removed from Mrs D's credit file when the balance repaid.

Mrs D doesn't accept that view and would like all adverse information removed immediately from her credit file.

Lloyds says it will refund all interest and agree an interest free repayment plan with Mrs D but says it will not remove any adverse information either now or in the future.

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.

Lenders and credit providers must carry out reasonable and proportionate checks on any credit or lending application. Those checks will of course vary depending on the type and amount of any lending or credit facility. These were applications by Mrs D for credit facilities and so I wouldn't have expected Lloyds checks to have been as detailed as for example for a mortgage application, but of course appropriate checks must be carried out.

I can see Lloyds, on both applications, checked Mrs D's credit file which showed no adverse information such as missed payments or defaults. I can see that Mrs D declared an income which on the face of it would have been enough for what I don't think were particularly large credit limits.

The issue here is that it doesn't appear that Mrs D declared accurately her expenditure such as, for example, her mortgage payments. I appreciate Lloyds used standard calculations in assessing the applications and that it no doubt will say that Mrs D ought to provide accurate information about her finances. But I also think that Lloyds ought reasonably to have questioned Mrs D's application and ought to have asked her about those outgoings. I'm

satisfied that further checks should have been carried out in those circumstances which would have raised affordability issues.

I have looked at Mrs D's outgoings and her bank statements which suggested signs of clear financial difficulties for unknown reasons. I can also see that Mrs D had a number of other credit card and loan accounts.

So overall I don't think reasonable and proportionate checks were carried out by Lloyds on these two credit card account applications.

In any event Lloyds has fairly agreed to refund any interest and deduct those amounts from the balances owed by Mrs D. That is the approach I would have taken here.

The only issue between the parties is the reporting of adverse information on a credit file as there is no actual refund due to Mrs D and so no interest due on that payment. Our approach in these circumstances is that normally a consumer should repay the money they have borrowed as they have had the benefit of it. Lloyds has fairly agreed to arrange an interest free plan with Mrs D. I can't see any evidence that a default has been registered on her file. And that any account arrangement should be reported on Mrs D's credit file until such time as the amounts she owes are repaid. I find it would be unfair to remove all details of the two credit card accounts from Mrs D's credit file as clearly the money is owed, and future lenders are entitled to see a true representation of a borrowers financial situation. Equally I can't agree with Lloyds approach here or understand what its position is.

Putting things right

Lloyds should refund all charges and interest on both credit card accounts and deduct those amounts from the balances owed by Mrs D as it's agreed to do. Lloyds should agree interest free repayment plans with Mrs D and is entitled to report those plans as arrangements on Mrs D's credit file. Any such information should be removed from Mrs D's credit file when the balances are repaid.

My final decision

My final decision is I uphold this complaint in part and order Lloyds Bank PLC to follow the above direction.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 22 June 2023.

David Singh
Ombudsman