

The complaint

Mr F complains that Lloyds Bank PLC declined his loan application. He believes he has been discriminated against because of his age.

What happened

Mr F applied for a loan with Lloyds, but the application was declined. He has several accounts with them already and he says his credit rating is excellent. He says he previously was approved for a personal loan with Lloyds with a four year term and he had settled this in full. Mr F says he has a better income than the last time he was approved for a loan, but the only difference is his age. He says he rang Lloyds and asked why his application was rejected. He says he was told that although his credit rating was excellent and his accounts were in good health, the application was declined due to the usage of an online gambling site. Mr F made a complaint to Lloyds.

Lloyds did not uphold Mr F's complaint. They said the loan declining was not in relation to his age as they don't have an upper age limit for personal loans. They said when assessing an application, many factors are taken into account. But their system may not pick up on all the facts. So if he wished to proceed with the application, it could be reviewed manually by their underwriters. Mr F wrote to Lloyds to appeal the decision and received proof of delivery, but he says Lloyds never responded to him.

Mr F brought his complaint to our service. He said the complaint handler should have told him he needed to appeal first before bringing the complaint to our service and it was only when he researched our service online that he found out he needed to appeal first. Mr F also said he believed the real reason his application was declined was due to him having a block on all credit applications since he turned a certain age, and he can't understand why this was based on his credit rating and income. He said his gambling site usage is not excessive, so he believes this has been given as a reason to avoid Lloyds admitting the decline was due to his age.

Our investigator did not uphold Mr F's complaint. She said businesses can refuse to accept potential customers provided they do so fairly. She said as a responsible lender, it's not unreasonable for Lloyds to carry out checks prior to lending. She said Lloyds have provided reasons to us for their decision and she was satisfied it has been reached fairly, but the information is commercially sensitive, so she was unable to share it with Mr F.

Mr F asked for an Ombudsman to review his complaint. He said he had still not been told why his application had declined and the lack of information about the decline only reiterates his belief they have discriminated against him due to his age. He said he recently received an email from Lloyds asking him if he would still like a loan and he believes Lloyds are mocking him due to them declining his loan. He said that they should have the facility to not send emails like this to customers who are being declined loans.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'd like to emphasise that this service is not the regulator. Nor do we act as the enforcer for the regulator. The regulator is the Financial Conduct Authority. Our service acts as an informal dispute resolution service for complaints about financial businesses. So I must be clear to Mr F from the outset that I'm unable to instruct Lloyds to tell him the exact reason(s) that his application was declined for. This is because this is a commercial decision for Lloyds to make. If the reasons were made public, people may use this sensitive information to try and manipulate Lloyds' systems.

I've considered what Mr F has said about him recently receiving an email from Lloyds asking him if he would still like a loan, and he believes Lloyds are mocking him due to them declining his loan. But I will be unable to address this point here in this decision. This is because this is a new complaint point which Mr F has made, which was not part of his original complaint, and therefore Mr F will need to contact Lloyds first if he wishes to complain about the email they sent him, before bringing this complaint point to our service if he remains unhappy with their response.

Mr F has said that he thinks Lloyds has discriminated against him. He says he has an excellent credit rating and he has previously been approved for a loan with Lloyds. He says the only difference in his circumstances now is his age, and so he thinks Lloyds has discriminated against him because of this.

I need to clarify that this service is unable to make findings on whether something constitutes discrimination as per the Equality Act 2010. This is because we are an informal free alternative to the courts, and only a court of law can make a legal finding based on the definitions set out within the act. However, I can consider whether I think the business has acted in a fair and reasonable manner, and in order to do that I will take a number of things, including the Equality Act 2010, into consideration.

While I can't tell Mr F the exact reason why his application was declined, I'm satisfied that the decline was not due to his age. I say this for a couple of reasons. One of these reasons is because Lloyds have confirmed that they don't have an upper limit to apply for their personal loans. The only age I can see that is mentioned regarding their criteria is that the applicant must be aged 18 or older. But another reason is because when Mr F spoke to Lloyds he was given a reason. Lloyds aren't required to give out reasons for declining a loan as I've previously explained, but on this occasion they told Mr F it was due to gambling transactions on his account.

I've considered what Mr F has said about his gambling usage, as it is not excessive and he is using his own money to gamble, as he is entitled to do so. But Lloyds have their own criteria regarding how they view gambling transactions with regards to lending, which as a commercial decision, they are entitled to decide. While I can't go into detail on this issue for reasons I've already mentioned, I'm satisfied that this was the reason why his loan application was declined and not because of his age.

I've also considered what Mr F has said about his loan appeal and the information he was told by the complaint handler. He was told by the complaint handler that he could appeal the loan on the call I've listened to. She explained that the system had declined his application based on the gambling transactions, but this could be manually reviewed. She reiterates a couple of times on the call that he could appeal the decision. It is only when Mr F keeps reiterating that he's not happy and says he will write to the executive team again that the complaint handler tells him about our service. But she did mention a number of times that he could appeal the decision.

Lloyds did actually receive Mr F's appeal. And they decided to accept his appeal. There is a note on their system which is date stamped on the 20 September 2022 from a staff member documenting that his loan appeal was received, and they were happy to offer a loan to him. They have sent me screenshots of the letter they also said they sent to Mr F. The letter is dated 20 September 2022 and they offered him a loan of £25,000 over 48 months. The letter is addressed to the same address as he gave our service. The letter shows that Mr F needed to call the number on the letter and quote the reference they displayed on the letter and asks him to inform the telephone consultant to check his account notes and they will understand what needs to be done.

So I'm persuaded what happened here is that Lloyds worked the appeal on the same day they got this and based on the appeal Mr F submitted to them they approved his loan and sent a letter out in the post telling him what to do next. But it appears that there was an issue with the postal system which prevented Mr F receiving this letter, so this decision is likely to be the first time he is aware that his appeal was actually successful. But I can't hold Lloyds responsible for any issues with the postal system as this would be out of their control. I'm happy to ask our investigator to send him the screenshots of the letter sent to him if he wishes to contact Lloyds directly about this, quoting the reference number if he still wants a loan from them.

But I should make Mr F aware that it's possible he may need to make a new application based on the appeal being granted a number of months ago and his financial situation or Lloyds' criteria for a personal loan could have changed from the date of his successful appeal to now. And that is why it would not be responsible of me to order Lloyds to approve a loan for Mr F as part of this decision. So it follows I don't intend to ask Lloyds to do anything further."

I invited both parties to let me have any further submissions before I reached a final decision. Lloyds accepted the provisional decision. Mr F did not accept the provisional decision. He made a number of points. In summary, he asked Lloyds to provide proof of postage of the appeal acceptance letter. He said the letter was supposedly sent during a national postage strike, and although he disputes the validity of the letter, if the letter was genuine, Lloyds did not validate he received the letter. He says they did everything they could to ensure he wasn't able to get a loan. Mr F said that due to an oversight on their part, he never received the loan offer as they didn't post this to him or make a reasonable effort to notify him of their decision.

Mr F asked how they were able to close his complaint/appeal after no reply from himself. He said due to the postage strikes, it would be fair and reasonable for them to reoffer the loan with the same Annual Percentage Rate (APR) from October 2022. Mr F says that the provisional decision did not uphold his complaint, but Lloyds actually upheld his appeal and reversed their original decision, so if Lloyds upheld his appeal, they were agreeing that the original decision was incorrect, and he questioned why as an independent organisation that we decided Lloyds original decision was correct.

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.

In deciding this complaint I've carefully considered the submissions that have been made by Mr F and by Lloyds. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what

evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

Mr F has requested evidence of proof of postage from Lloyds regarding his appeal letter. But there is no regulatory requirement for Lloyds to obtain proof of postage from their delivery partner or to track the post which they send out. But I am persuaded that on the balance of probabilities they did send him this letter, even if they don't have proof of postage of this letter.

I say this as Lloyds' system, which our investigator sent Mr F a screenshot of this, is date stamped with the date of 20 September 2022. My understanding is that this date cannot be amended on their system as the date the note is added is saved automatically when the member of staff enters a note on this system. The system shows that Lloyds received Mr F's appeal on this day and based on the contents of Mr F's appeal, they were happy to offer him a loan for £25,000 over 48 months. The system screenshot also showed the reference number which was also quoted on the letter. Lloyds have confirmed to me that their process is to send out a letter on the same day the appeal is accepted. This would be considered a reasonable attempt to notify Mr F of their decision to accept his appeal. There would be no regulatory requirement for them to call a customer with an appeal outcome.

So I'm not persuaded that on the balance of probabilities that Lloyds entered a note on their system on 20 September 2022 to say he was accepted for the loan, and gave him a reference number, so his appeal could be located, then didn't bother to send him a letter about this, which would be going against their process, and then they only created a signed letter to his registered address by a lending manager backdating the letter only when he brought his complaint to our service.

While there may have been postal strikes around the time the letter was sent, I'm not persuaded that this should be a reason why Lloyds should have changed their postal procedures – after all they would expect the post they sent out to be delivered when the postal workers had returned from any strike that they were on. As I said in my provisional decision *"I can't hold Lloyds responsible for any issues with the postal system as this would be out of their control."* Lloyds would not be responsible for any postal strikes or if the postal service failed to successfully deliver his appeal letter. So I'm not persuaded that they have made an oversight here

There is no regulatory requirement that Lloyds have to validate that the letters they sent are received by the recipient. The onus would be on the customer to contact Lloyds once receiving the letter to complete the loan process. While Mr F says he didn't receive this letter, Lloyds would not be aware that he didn't receive the letter. So there would be no requirement for them to chase this up as a customer may have changed their mind about taking out a loan with them (for example they may have gone to a competitor in the meantime). I'm not persuaded by Mr F's argument that Lloyds did everything they could do to ensure he couldn't get a loan. I say this as they wouldn't have accepted his appeal if they didn't want to lend to him.

I've considered what Mr F has said about Lloyds closing down his complaint/appeal when they didn't receive a response from him. I wouldn't expect Lloyds to keep these things open indefinitely. They made a business decision to close his complaint and Mr F took the next step to bring his complaint to our service, which was his right to do so. The appeals letter stated the loan offer was *"valid for 30 days from the date of this letter and is based on the information we currently have about your circumstances"*. So this is why Lloyds would close down the appeal when they hadn't heard from Mr F within the relevant timeframe.

Mr F has said that Lloyds should offer him the same APR from October 2022. But as the appeal letter stated *"As your application originally failed to meet our credit scoring criteria the rate offered may be different from the one that you were previously quoted."* So there would be no guarantee that Mr F would have received the APR he originally applied for even if he would have received the letter dated 20 September 2022. As I said in my provisional decision *"it's possible he may need to make a new application based on the appeal being granted a number of months ago and his financial situation or Lloyds' criteria for a personal loan could have changed from the date of his successful appeal to now. And that is why it would not be responsible of me to order Lloyds to approve a loan for Mr F as part of this decision"*. So for these reasons, and the fact his offer was valid for 30 days, which this time has now passed, it would not be proportionate for me to ask Lloyds to change the APR on any loan he is now approved for.

Mr F has questioned the impartiality of this service and questioned why I decided that Lloyds' original decision was correct. Our service acts as an informal, impartial dispute resolution service for complaints about financial businesses. I am independent of the parties to this complaint, and I have considered the matter afresh from the investigator. That means I have reviewed all of the available information and reached my own conclusions as to the issues in this complaint. It is my role to determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case. In considering what is fair and reasonable in all the circumstances of this case, I have taken into account relevant regulations, and, where appropriate, what I consider to have been good industry practice at the relevant time.

My provisional decision did not state that Lloyds were correct to decline his original loan application. I said in my provisional decision that *"Lloyds have their own criteria regarding how they view gambling transactions with regards to lending, which as a commercial decision, they are entitled to decide. While I can't go into detail on this issue for reasons I've already mentioned, I'm satisfied that this was the reason why his loan application was declined and not because of his age."* So as our service does not set the criteria regarding the business' lending and this is a matter of commercial judgment for the business, this is why I didn't say they were right or wrong to decline the original decision. We can consider if the business did not adhere to their own policies, but it appears that they have done this here.

Lloyds stand by their decision to originally decline Mr F's application based on the system they have in place. They told him in their appeals letter that his *"original application was declined by our credit scoring system which takes into account a number of factors including income, occupation, residential circumstances, existing borrowing and information supplied by credit reference agencies"*.

I'm not persuaded that Mr F's age had anything to do with the outcome of the original application. As I said in my provisional decision *"I say this for a couple of reasons. One of these reasons is because Lloyds have confirmed that they don't have an upper limit to apply for their personal loans. The only age I can see that is mentioned regarding their criteria is that the applicant must be aged 18 or older. But another reason is because when Mr F spoke to Lloyds he was given a reason. Lloyds aren't required to give out reasons for declining a loan as I've previously explained, but on this occasion they told Mr F it was due to gambling transactions on his account"*.

Lloyds have an appeal process in place if a customer has further information to provide to them in appealing the lending decision. Mr F sent them an appeal letter including his personal circumstances. So as the appeals letter from Lloyds confirmed it was after they reviewed his application along with the additional information he provided that they were

happy to approve him for a loan, this is why upholding an appeal does not mean Lloyds agreed their original decision was incorrect.

In summary, Mr F's response hasn't changed my view and my final decision and reasoning remains the same as in my provisional decision. I know Mr F will be disappointed, but I hope he understands my reasons.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 5 July 2023.

Gregory Sloanes
Ombudsman