

## **The complaint**

Mr S, who is represented in this complaint by his father, complained to Lloyds Bank PLC ("Lloyds") in October 2022 about an overdraft facility that was provided in 2013.

Mr S says Lloyds acted irresponsibly in providing him with overdraft facilities and that they were unaffordable.

## **What happened**

Lloyds has upheld irresponsible lending complaints made by Mr S for three other accounts and I understand Mr S has received some compensation. So in this decision I am looking only at Lloyds's actions in relation to overdraft lending that was granted on the account number ending 468.

Lloyds initially provided Mr S with an overdraft facility in June 2013. In October 2019 Mr S requested and was granted a £1,900 overdraft. The overdraft was then fully repaid by Mr S by October 2020 when it was set back to zero. It was then closed. But in September 2022 Mr S applied for a new £1,000 overdraft which was first increased to £1,500 and then £1,550.

Mr S and his father complain that Lloyds acted irresponsibly in granting him an overdraft in 2019 and then in 2022. He says it didn't take into account his personal situation.

In line with the rules under which we operate, Lloyds said it wouldn't be looking into some of what happened with the overdraft because the complaint had been made more than six years since the initial overdraft had been agreed and more than three years since Mr S had taken steps to reduce his overdraft, in October 2017.

One of our investigators reviewed what Mr S and Lloyds had told us. And she thought Lloyds hadn't acted unreasonably in relation to the overdraft lending that had taken place in 2019 and 2022. So she didn't recommend that Mr S's complaint be upheld.

As Mr S and his father disagreed, the complaint has been passed to me for a 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 explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr S's complaint.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Having carefully considered everything provided, and while I appreciate that at least part of this complaint is finely balanced, I've not been persuaded to uphold Mr S'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 S could afford to repay before agreeing to any credit. 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. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

Lloyds agreed to Mr S's internet overdraft application in October 2019 after carrying out credit checks and searches to ensure that the amount requested was likely to be affordable. Lloyds later went on to set up a repayment plan after Mr S had contacted Lloyds for help with repaying the overdraft and explained about his health situation. However, I've not seen evidence to show or suggest that a request was made to place any restrictions on the account, such as in relation to lending limits, at that time.

In September 2022 Mr S arranged a new overdraft by way of a further internet application. This was agreed by Lloyds and then at Mr S's request increased from £1,000 to £1,500 the same day and then to £1,550 three days later. The credit checks and searches carried out by Lloyds again suggested that the amounts requested were affordable. Having said that, I'm mindful that Mr S had made three applications within a very short period of time. And in these circumstances, I think there is an argument for saying that Lloyds should have taken a closer look at Mr S's circumstances before agreeing to the increases. But on the other hand I can see that Mr S had generally been managing his account relatively well and there were no significant factors that would have caused Lloyds concern – although there appears to have been one recent returned payment.

Soon after applying for the overdraft Mr S contacted Lloyds to explain his reason for applying and requesting the increases, referring to recent family events and also health factors that might have adversely affected him and influenced his actions.

Having looked through Mr S's 2022 bank statements in the lead up to the limit increases being provided, I don't think that there was anything unusually concerning during this period of time to suggest that the facility ought not to have been granted, or that further checks should have been carried out. And there wasn't anything in Mr S's account transactions which suggested Mr S may have misrepresented his financial situation. And I think given the level of disposable income Mr S appears to have had at the relevant time, I suspect it was possible for Lloyds to readily agree each of the overdraft limit increases without any delay.

As mentioned already, I have seen that Mr S had approached Lloyds in 2019 for help with paying off his previous overdraft. He had then kept to the arrangement that was put in place and paid off his previous overdraft within 12 months. He was very upfront about his circumstances in relation to his sole source of income being by way of state benefits as well as his declining health situation. So whilst I do have some concerns as to whether, in 2022, Lloyds's checks ought to have perhaps included delaying the increases and conducting further checks, the bank statement information I've seen supports his income and expenditure information and his ability to repay the overdraft and its increases. And I've seen

there were no restrictions in place at that point to prevent or require further checks before agreeing further lending.

It follows that on balance I don't think that Lloyds treated Mr S unfairly or irresponsibly when providing him with the 2019 and 2022 overdraft and limit increases.

I'm therefore not upholding Mr S's complaint.

I appreciate this will be very disappointing for Mr S and his father. But I hope they will understand the reasons for my decision and that they at least feel their concerns have been listened to.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 October 2023.

Michael Goldberg

**Ombudsman**