

The complaint

Miss E complains that Lloyds Bank PLC was irresponsible in its lending to her.

What happened

Miss E was provided with a £9,200 loan in March 2022 with monthly repayments of around £305.

Miss E says that she banks with Lloyds so it was aware of her financial situation and income. She said that had adequate checks been undertaken it wouldn't have offered her the loan noting that she was in arrears and constantly in her overdraft. She says that the loan was unaffordable based on her income and that her income wasn't guaranteed.

Lloyds issued a final response letter dated 1 August 2023. It said that before the loan was provided it completed checks to assess the affordability. It said that it assessed the information Miss E provided about her income and outgoings alongside the results from its credit checks and an assessment of Miss E's day to day living costs, and based on this Miss E passed its checks and the loan was approved. It noted that the loan was taken out to consolidate other debts and that after paying the funds into Miss E's account she used a large portion of this to pay other creditors. Lloyds confirmed that the loan has been repaid.

Miss E wasn't satisfied with Lloyds' response and referred her complaint to this service.

Our investigator didn't uphold this complaint. While she thought that Lloyds should have taken steps to build a more detailed financial picture of Miss E, she found that had this happened, the loan would have appeared affordable.

Miss E didn't agree with our investigator's view. She said her complaint about her overdraft had been upheld and that her credit file showed she had missed payments and entered into an arrangement to pay.

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.

Miss E has said that her complaint about her overdraft was upheld. I note this comment, but we consider each case based on its individual merits. I take into account all relevant rules and regulations but my decision is based on what I consider fair and reasonable in light of the unique circumstances of the complaint. In this case, I have specifically considered what Lloyds was, and should have been, aware of regarding Miss E's financial circumstances in the months preceding her loan application.

Our general approach to complaints about unaffordable or irresponsible lending – including the key rules, guidance, and good industry practice – is set out in our website.

The rules don't set out any specific checks which must be completed to assess creditworthiness. But while it is down to the firm to decide what specific checks it wishes to

carry out, these should be reasonable and proportionate to the type and amount of credit being provided, the length of the term, the frequency and amount of the repayments, and the total cost of the credit.

Miss E applied for a loan in March 2022. The application process gathered information about Miss E's employment and residential status. She said she was employed with a monthly income of £1,372 and that she was living with parents and had no mortgage / rent costs or other major commitments. Miss E said that the loan was for debt consolidation. Considering the repayment amounts due under the loan, I do not find the information gathered in this application raised concerns about the affordability of the loan.

A credit check was carried out. I haven't seen the credit check results from March 2022, but I have seen results from a credit check carried out in May 2022 and I have used these to establish the information that would have been identified at the time of Miss E's application. This showed that Miss E didn't have any defaults, delinquent accounts or judgements against her. The report shows her outstanding loans at the time and while Miss E had been generally managing her credit commitments well in the months leading up to the loan application, she had experienced some previous missed payments and a payment plan and so I find it reasonable that Lloyds would have carried out further checks to ensure it had a clear understanding of Miss E's financial circumstances.

Miss E says that her income at the time wasn't guaranteed and noted a low income amount for March 2022. I have looked through Miss E's bank statements for the months leading up to March 2022. Had Lloyds checked Miss E's income in the months of December 2021, January 2022 and February 2022 being the three months leading up to her application I do not find that this would have raised concerns about the income amount Miss E declared. Miss E did receive a lower income in March 2023, but this was on the day the loan was provided and so this information wouldn't have been available to Lloyds, and it would have been up to Miss E to declare that her income was reducing. I didn't find anything in Miss E's statements that suggested she was making payments for her housing costs which supports her comment that she was living with parents.

I have then considered whether Miss E's bank statements raised other concerns that meant the lending shouldn't have been provided. While I can see that Miss E did go into her overdraft during the months of December, January and February her income brought her into credit. Her overdraft was increasing in March 2023, but I do not find that this was enough to say that the lending shouldn't have been provided. I also note that Miss E was making payments towards other creditors and as the loan was for debt consolidation this should have had a positive impact on her financial situation.

Therefore, while I think that further checks would have been reasonable, in this case I do not find that these would have suggested the lending was unaffordable for Miss E.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 21 March 2024.

Jane Archer
Ombudsman