

Complaint

Mr M has complained about a personal loan Lloyds Bank PLC ("Lloyds") provided to him. He says that the loan was unaffordable.

Background

Mr M also complained about credit cards which Lloyds provided to him. But we've already provided him with an answer on that separate complaint and this decision is focusing solely on Mr M's loan.

Lloyds provided Mr M with a loan for £8,000.00 in August 2017.

Mr M's loan had an APR of 14.6% and a term of 60 months. This meant that the total amount to be repaid of £10,876.80, which included interest, fees and charges of £2,876.80, was due to be repaid in 60 monthly instalments of £181.28.

One of our investigators reviewed what Mr M and Lloyds had told us. And he thought that Lloyds hadn't done anything wrong or treated Mr M unfairly. So he didn't recommend that Mr M's complaint be upheld.

Mr M disagreed with our investigator's assessment and asked for an ombudsman to look at his complaint.

My findings

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 M's complaint.

Having carefully considered everything, I've decided not to uphold Mr M'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 M could afford to repay before providing this loan.

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 says it agreed to Mr M's application after he provided details of his monthly income and some information on his expenditure. It says it cross-checked this against information on a credit search it carried out. And in its view, all of this information showed Mr M could afford to make the repayments he was committing to.

On the other hand, Mr M has said he should never have been provided with this loan because of his existing debts and as he was gambling.

I've carefully thought about what Mr M and Lloyds have said.

The first thing for me to say is that this was Mr M's first loan with Lloyds. The information provided does suggest Mr P was asked to provide some details regarding his income and expenditure and Lloyds didn't just rely on what it was told as it carried out a credit search too. Lloyds hasn't been able to provide the details of its credit searches. However, I've looked at the full credit report Mr M has provided.

Having considered this information, it appears as though Mr M didn't have any significant adverse information such as defaulted accounts at this time. Indeed from what I can see Mr M started experiencing difficulties of this kind in 2018. But this was sometime after he'd already been provided with this loan. I haven't seen anything which clearly shows me that Mr M was indebted to the level he has described, in August 2017 either.

I accept that Mr M's actual circumstances may not have been fully reflected either in the information he provided, or the information Lloyds obtained. It appears as though Mr M's financial circumstances took a turn for the worse in 2018. And I'm sorry to hear that Mr M has gone through a very difficult time both before and after having been provided with this loan.

I've also seen what Mr M has said about his gambling. However, I can't see any gambling on his Lloyds account statements and indeed in the period leading up to the application, it seems as though Mr M did have the funds necessary to make the payments to this loan. It's possible that if Lloyds had gone into the depth of checks Mr M appears to be saying it should have – such as obtaining bank statements for multiple accounts – it might have seen Mr M's gambling and possibly reached a different answer.

But the key here thing is that I don't think the circumstances of the lending here warranted obtaining bank statements for multiple accounts. Given the circumstances, I'd expect Lloyds to have a reasonable idea of Mr M's income and committed non-discretionary spending, which it did here, rather than a complete a review of Mr M's finances. So I don't think that it knew about Mr M's gambling or that it could reasonably be expected to know about this either.

As this is the case and bearing in mind everything, I don't think that Lloyds did anything wrong when deciding to lend to Mr M - it carried out proportionate checks (although I accept that Mr M disputes this) and reasonably relied on what it found out which suggested the repayments were affordable.

So overall I don't think that Lloyds treated Mr M unfairly or unreasonably when providing him with his loan. And I'm not upholding Mr M's complaint. I appreciate this will be very disappointing for Mr M. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 March 2024.

Jeshen Narayanan
Ombudsman