

The complaint

Mr R complains that Lloyds Bank PLC irresponsibly lent to him. Mr R says proper checks would have shown he couldn't repay the borrowing without suffering financial hardship.

What happened

Lloyds lent Mr R a loan in July 2019, the loan amount was £8,500 repayable over 48 monthly instalments of £235.52. Mr R repaid the loan in April 2023.

Mr R complained to Lloyds about the decision to lend but it didn't uphold his complaint and so he referred it to the Financial Ombudsman Service where it was looked at by one of our investigators.

Our investigator didn't think Lloyds was wrong to lend Mr R the loan at the time and so she didn't recommend that the complaint be upheld. Mr R disagreed, he said he was repaying other credit and had an outstanding balance on his overdraft with Lloyds. Mr R asked for an ombudsman's review.

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.

Lloyds will be aware of all the rules, regulations and industry practice we consider when assessing complaints about irresponsible/unaffordable lending. We've set out our general approach to these types of complaints - including all of the relevant rules, guidance and good industry practice - on our website. So, I don't think it is necessary to set it all out in this decision.

In summary, Lloyds needed to ensure that Mr R could afford the repayments on the agreement when it fell due throughout, the term of the agreement. The relevant rules and regulations don't prescribe what checks need to be carried out, but the checks need to be reasonable – taking into account the specific circumstances of the consumer.

Lloyds says it used information from credit reference agencies, Mr R's declaration and what it knew about him at the time when it decided to lend. I note Lloyds hasn't provided the results of its search into Mr R's credit file. Mr R acknowledges there was nothing within his credit file that showed missed payments or county court judgements (CCJs).

When Mr R applied, he declared he was employed on a monthly income of £1,950 and his monthly housing costs of £560. Mr R declared he had two dependents, and he had his main account and a savings account with Lloyds.

In my view, Lloyds had a snapshot into Mr R's financial circumstances from his bank statements which it held and had access to, so I'd expect that it considered these as part of information it already knew about Mr R. I can't see evidence that Lloyds did this and so I've

considered the information on Mr R's bank statements to understand what his financial circumstances were at the time.

Mr R was repaying £200 towards three credit card accounts, Mr R has said he was making minimum payments towards this account. Mr R also had two other loans, one of which he was using this Lloyds loan to consolidate. I can also see Mr R was regularly using his overdraft.

The bank statements show Mr R's average income over the three months before the loan was around £2,375, Mr R has also said he received benefits although I haven't seen these going into his account, I've presumed these were paid into his partner's account.

Mr R's non-discretionary and regular payments each month were around £1,674, this would have left him with over £700 to repay this loan and have some extra income left over. I think on the basis of this calculation and any benefit Mr R's household also received, he was likely in the position to afford the loan repayments at the time and meet other reasonable costs.

Mr R has said he was incurring daily overdraft fees due to his regular use of this facility, having fully considered this, I think the disposable income was sufficient to cover these charges. I note Mr R has another ongoing complaint about his overdraft facility with Lloyds and so I haven't considered the lending and overall use of that facility as part of this complaint, but I've taken into account the use of the facility in the period before this loan, and I don't think it was concerning or something that should have made Lloyds concerned about his ability to repay this loan.

I understand Mr R's strength of feeling about the decision by Lloyds to lend and while I think Lloyds should have taken into full consideration all the information it had about Mr R, the information I've seen shows that even if it had done this, it is likely to have found the loan was affordable. So, I don't think Lloyds has acted unfairly by lending to Mr R on this occasion.

My final decision

For the reasons given above, I do not uphold Mr R's complaint or make any award against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 3 July 2024.

Oyetola Oduola
Ombudsman