

## The complaint

Mr G says Lloyds Bank PLC irresponsibly lent to him.

## What happened

Mr G took out a loan for £7,000 over 12 months on 21 May 2024. The monthly repayments were £617.27 and the total repayable was £7,407.24. Mr G says he took the loan out as he fell victim to a scam and he cannot afford to repay it. He asks for it to be written-off.

Lloyds says it carried out proportionate checks before lending to Mr G and they showed the loan would be affordable. It said it was sorry Mr G was scammed and that this has resulted in him losing all of the £7,000. It referenced the steps it had taken to warn Mr G that there was a risk he was being scammed when he went to move the proceeds of this loan out of his Lloyds current account.

Our investigator confirmed the scope of this investigation was solely the lending decision. He did not find Lloyds had lent irresponsibly.

Mr G disagreed and asked for an ombudsman's review. He said his outgoings clearly exceeded his incomings each month and after falling victim to this scam he has lost almost all his savings, as well as the loan capital. He cannot afford to repay this loan. If he has to he will need to get a weekend job which will be very tiring, especially as he takes medication that already tires him. This is for a mental illness that unfortunately makes him more susceptible to being scammed - this is the second time it has happened.

I reached a different conclusion to the investigator so I issued a provisional decision. An extract follows and forms part of this final decision.

### *Extract from my provisional decision*

*I've looked at the checks Lloyds carried out. Mr G declared an annual income of £23,382 and monthly housing costs of £375. Lloyds verified his income externally. It used national statistics to estimate his monthly expenses (£483). It carried out a credit check to understand his existing credit commitments (£21 a month) and credit history. There was no adverse data on his credit file. It asked about the purpose of the loan which Mr G said was home improvements. From all its checks combined it concluded Mr G had £731 disposable income each month and so could afford to take on this loan.*

*I do not find these checks were proportionate given the value of the monthly repayments relative to Mr G's monthly income. I think Lloyds ought to have reviewed Mr G's actual income and non-discretionary expenses. I have reviewed bank statements from three months prior to the application – I am not saying Lloyds had to do exactly this but it is a reliable way for me to recreate what proportionate checks would most likely have shown.*

*Lloyds used a net monthly income of £1,619, the actual when averaged over the three months was very similar at £1,627.24. His fixed outgoings were higher than it estimated at, on average, £830 a month. So I find, similar to the investigator's finding, after taking on this*

*loan Mr G would have around £180 of income remaining. But no allowance has been made in the fixed outgoings for food costs and this is not reasonable. Even assuming a low budget of £50 a week (and Mr G's statements show his grocery spend was around this level) would mean Mr G did not have the disposable income needed to take on this loan.*

*It follows I think Lloyds was wrong to lend to Mr G.*

*I've also considered whether the relationship might have been unfair under Section 140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below will result in fair compensation for Mr G in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.*

I then set out what Lloyds would need to do to put things right if I went on to uphold Mr G's complaint.

Both parties responded to my provisional decision. Lloyds said it had included food costs in its affordability assessment and so my statement '*But no allowance has been made in the fixed outgoings for food costs*' is incorrect. It said the model it uses to estimate essential living costs includes money spent on groceries so there was no requirement to allocate a further £50 a week to cover this area of expense.

Mr G said, in summary, given my finding is that Lloyds ought not to have lent to him he would like the repayments he has made to be refunded and the loan to be reversed. This would go some way to replacing all the savings he lost as a result of the scam. Other firms refunded all the money he lost. If this cannot be done he can only make a small monthly payment. He set out in detail why it will be very difficult to repay the capital.

### **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 set out our approach to considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr G's complaint.

I have thought carefully about the response from both parties. But they do not change my findings, conclusion or what Lloyds need now do. I'll explain why.

Lloyds explained that its modelled expenditure already included groceries so it did not need to add any further costs. But this was not the point made in the provisional decision. As set out above my finding was that Lloyds' checks were not proportionate given the value of the monthly repayments relative to Mr G's monthly income. I said that Lloyds ought to have reviewed Mr G's actual income and non-discretionary expenses. I then noted that the investigator had not included grocery spend in his calculation of Mr G's essential costs. Once they were included Mr G did not have the disposable income needed to afford the loan. This finding has not changed – Mr G's actual income was on average £1,627.24 and his actual outgoings (non-discretionary) including food were £1,030. So had Lloyds completed proportionate checks it would have seen Mr G could not sustainably afford the monthly repayments for this loan and there was a high risk he would suffer financial harm.

It follows I find Lloyds was wrong to give this loan to Mr G.

Mr G asked if the balance of the loan could be waived and all repayments made. But the redress I recommended is in line with how we instruct lenders to settle irresponsible lending

complaints and I have seen no reason to deviate from our standard approach here. I am sorry Mr G suffered as the victim of a cruel scam. He reference how another firm refunded all the money he lost, but this complaint looks solely at the lending decision – not whether Lloyds should have done more to prevent Mr G from falling victim to the scam.

Mr G has explained why it will be very hard for him to repay the capital. I would urge him to contact Lloyds who will review his income and expenditure and try to agree an affordable plan.

### **Putting things right**

Mr G received the capital amount of the loan so it's fair that he should repay this money. But it is unfair that he should pay interest and charges on a loan that should not have been given to him.

So Lloyds will have to:

- Remove all interest, fees and charges applied to the loan.
- Treat any payments made by Mr G as payments towards the capital amount.
- As there will remain a capital balance outstanding the parties need to agree an affordable repayment plan. I would remind Lloyds of its obligation to treat Mr G fairly and with forbearance as appropriate. I note Mr G has recently flagged that he has a mental health illness. Whilst I cannot see that Lloyds was aware of this when he applied for the loan, as it now is it must make any requested reasonable adjustments as it works with Mr G going forwards.
- Remove any adverse information about the loan from Mr G's credit file once he has repaid the capital balance.

\*HM Revenue & Customs requires Lloyds to deduct tax from this interest. It should give Mr G a certificate showing how much tax it's deducted if he asks for one.

As I said, I am sorry Mr G lost a considerable amount of money and I understand why he would like the loan to be written-off. But I have not found grounds for the bank, which had no involvement in the scam itself and it seems tried to stop Mr G transferring the money, to be held responsible for the loss of the capital.

I note Mr G told Lloyds the loan was for home improvements, not crypto investments thereby removing its chance to respond to this at the time of the loan application. For the reasons set out above I do not find Lloyds can fairly be held liable for the outstanding balance on the loan in the circumstances of this case. To be clear, this finding relates solely to its liability with regards to the lending decision and not the actions it took to protect Mr G from the scam when he transferred money from his current account. He would need to make a separate complaint about that matter if he feels he has grounds to.

### **My final decision**

I am upholding Mr G's complaint. Lloyds Bank PLC must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 October 2024.

Rebecca Connelley  
**Ombudsman**