

## **The complaint**

Mr W complained to Lloyds Bank PLC (“Lloyds”) in February 2024 an overdraft facility that was provided in April 2023.

Mr W says Lloyds acted irresponsibly in providing him with the overdraft facility and that it was unaffordable for him.

## **What happened**

Lloyds provided Mr W with the overdraft facility and the increase that followed in April 2023. The overdraft limit was initially £500 which was then increased the next day to £1,000.

Mr W says Lloyds acted irresponsibly in granting him the overdraft and the increase followed soon after.

One of our investigators reviewed what Mr W and Lloyds had told us. And he thought Lloyds hadn’t acted unreasonably in relation to the granting of the overdraft or the increase that followed.

As Mr W, 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 W’s complaint.

Having carefully considered everything provided, I’ve not been persuaded to uphold Mr W’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 W 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.

I’ve noted that Mr W had been a Lloyds customer for some years. He has previously made a complaint to this service about overdraft lending. Whilst that’s outside the scope of this

decision, it indicates that Lloyds had a reasonable level of knowledge about Mr W as a customer who'd previously used an overdraft facility with Lloyds. I've also noted that Mr W had been turned down for a number of overdraft applications he'd made to Lloyds during 2018. This was obviously some years earlier and it's to be expected that individual circumstances will change over time.

Lloyds carried out a series of checks before approving Mr W's overdraft and subsequent increase. The credit checks and searches carried out by Lloyds suggested that the amounts requested were affordable. Having said that, I'm mindful that Mr W had made two 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 W's circumstances before agreeing to the second increase. But on the other hand I can see that Mr W had generally been managing his account relatively well and there were no significant factors that would have been likely to cause Lloyds concern.

Mr W has sent us his credit report which doesn't show any recent adverse markings on his credit file, such as missed payments or account defaults. However, the report shows historical loan defaults, in December 2018 and May 2019, and what appears to be a default in relation to an overdraft with a different bank in February 2019. But, as noted by our investigator, these defaults had all been satisfied by mid-2021.

Having looked through Mr W's bank statements in the lead up to the new overdraft and increase 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. That's not to suggest that Mr W wasn't having to keep an eye on his levels of spending and that there may have been times when he felt financially stretched.

I've seen Mr W was receiving a monthly income of around £1,700. And he appeared to be paying £700 each month to his partner for towards mortgage and household costs.

That's not to say that Mr W wasn't making use of other borrowing at the time, which included a £2,000 overdraft with another bank. Mr W appeared to be meeting these commitments as required, albeit he was tending to make minimum payments where it was possible to do so. But from what I've seen, once these were taken into account alongside the monthly living costs that Mr W needed to meet, he was still likely to have a disposable income of somewhere between £700 and £800 available to him.

It follows that I don't consider I can fairly say that what I've seen about Mr W's financial position at the time is enough that they were at risk of deteriorating. So, against this background, I suspect it was possible for Lloyds to readily agree each both of the overdraft limit increases without a delay

It follows that, whilst I do have some concerns as to whether Lloyds ought perhaps to have carried out better checks, or perhaps decided to delay increasing the overdraft limit so quickly from £500 to £1,000, the bank statement information I've seen supports Mr W's ability to repay it.

To summarise, I don't think that Lloyds treated Mr W unfairly or irresponsibly when providing him with the overdraft facility in April 2023. I'm therefore not upholding Mr W's complaint.

I appreciate this will be disappointing for Mr W. But I hope he will understand the reasons for my decision and that he at least feels his concerns have been listened to.

I've also considered whether the relationship between Mr W and Lloyds might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Mr W or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 November 2024.

Michael Goldberg  
**Ombudsman**