

## **The complaint**

Ms G complains that Lloyds Bank PLC was irresponsible in its lending to her. She wants the charges and fees applied to her account refunded along with compensatory interest.

## **What happened**

Ms G applied for a Lloyds credit card in August 2019 and was provided with a £3,700 credit limit. She says that the lending shouldn't have been provided and adequate checks weren't carried out. She said that her credit file at that time showed missed payments, regular minimum payments to several credit cards and multiple loan commitments. She said she had a student overdraft she wasn't able to repay and had taken out cash advances on another credit card. She said that proportionate checks would have shown her take home pay to be £2,380 and that she had a high debt to income ratio. She said her credit file should have shown issues that meant further checks took place and had these happened and her bank statements considered for the previous three months Lloyds would have seen the lending wasn't sustainably affordable for her.

Lloyds said that before the credit card was provided it carried out checks to ensure Ms G could afford to repay the borrowing. It said it used the income figure provided by Ms G and deducted costs such as housing costs and any credit commitments as well as deducting an amount for day to day living costs. It said that based on its checks Ms G was provided with a credit limit of £3,700 and this was never increased. It said Ms G took advantage of promotional balance transfers and so it believed the account was beneficial to her. It said the account was closed in November 2023 after the balance had been cleared in full. It didn't accept that it had acted irresponsibly in its lending to Ms G.

Ms G referred her complaint to this service.

Our investigator thought that the checks carried out by Lloyds were reasonable and based on these the lending appeared to be affordable for Ms G. She didn't think that Lloyds was required to carry out an income verification and said its credit check showed Ms G had no monthly credit commitment payments.

Ms G didn't agree with our investigator's view. She said at the time of her application she had a lot of outstanding debt, and this had been increasing showing her increased reliance on credit. She said she had six credit cards on which she was only paying the minimum amount and had missed several payments on another account, and she was continuously in her student overdraft. She said that these issues should have raised concerns and further checks taken place.

## **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.

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

Before the lending was provided, Lloyds asked Ms G for details about her employment, income, and residential status. She declared an annual income of £62,000, said she was married with two dependents and had a mortgage. She declared monthly housing costs of £400 and other commitments of £50. Lloyds has explained that it uses credit reference agency account turnover data to provide confidence that the income figure provided is correct. Based on this I find it reasonable that Lloyds relied on the income figure Ms G provided.

A credit check was carried out which didn't record any unsecured commitments for Ms G. It isn't clear why this was the result as Ms G has provided copies of her credit report which clearly show she had other existing commitments at the time. However, based on the information Lloyds identified through its checks, I do not find this raised concerns about the affordability of the lending or raised issues that meant further checks should have been taken place. Therefore, I do not find it unreasonable that the lending was considered affordable by Lloyds.

Given the information Ms G has provided as part of her complaint, I have considered what would likely have happened had Ms G's credit commitments at the time been identified. In this case I think this may have resulted in a need for further questions to have been asked about her expenditure but as her income had been checked through the credit reference agencies I still find it reasonable this was relied on. Considering the information Ms G has provided about her existing credit commitments at the time and her other costs, I do not find these would have shown that Lloyds acted irresponsibly by providing the credit card. Ms G used the credit card for balance transfers at a 0% promotional rate to repay other credit cards and so it is likely she would have benefited from these.

Taking everything into account, I do not find I can say that Lloyds was wrong to provide Ms G with a credit card with a £3,700 credit limit.

I've also considered whether Lloyds acted unfairly or unreasonably in some other way, given what Ms G has complained about – including whether Lloyds' relationship with Ms G might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Lloyds lent irresponsibly to Ms G or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

### **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 Ms G to accept or reject my decision before 4 November 2024.

Jane Archer  
**Ombudsman**