

The complaint

Mr H's complaint is that in 2021 Lloyds Bank PLC acted irresponsibly when it gave him a credit card. To resolve the complaint Mr H would like Lloyds to refund all interest and any late payment charges.

What happened

I don't need to set out the full background to the complaint. This is because the history of the matter is set out in the correspondence between the parties and our service, so there is no need for me to repeat the details here. In addition, our decisions are published, so it's important I don't include any information that might lead to Mr H being identified. So for these reasons, I will instead concentrate on giving a brief summary of the complaint, followed by the reasons for my decision.

In September 2021 Mr H opened a credit card account with Lloyds. It had a limit of £2,500. The limit has not been increased. In fact, it was decreased to £1,900 in September 2023 and to £1,800 in April 2024. The account statements provided (up to July 2024) show that the account has always operated within its limit, up until 19 July 2024 when it exceeded the limit by £38.56, due to the addition of interest on the balance of £1,793.54. The statements up to 19 July 2024 show that payments were received on time, and there were no late payment fees or any other charges applied to the account.

In June 2024 Mr H complained to Lloyds that the bank had acted irresponsibly in offering him the credit card and a personal loan. (The personal loan is the subject of a separate complaint, and so I will not refer to it any further in this decision.)

The essence of Mr H's complaint was that at the time he took out the credit card he had large balances owing on other credit accounts, and he had adverse credit history. Mr H also said that Lloyds should never have increased his credit limit and, as a result of the bank's irresponsible lending, he was unable to repay the balance within a reasonable period of time.

Lloyds didn't uphold the complaint, saying in its final response letter that it hadn't increased the credit limit, but had, in fact decreased it. Lloyds also said that, although Mr H had told the bank when he opened the account that he was going to use it for a balance transfer, he had instead used it for money transfers and retail spending. The bank said Mr H had benefitted from a zero rate of interest on the retail transactions for the first twelve months after the account opened. Mr H had made regular monthly payments and at no time had he asked the bank for any support with the account.

Lloyds also reviewed the account application and noted the information Mr H had provided on his application, which had been made online. After the complaint was made, Lloyds reviewed Mr H's current account statements, and noted that the information in these about Mr H's outgoings contradicted what he'd told the bank. Lloyds said that it was Mr H's responsibility to provide Lloyds with accurate information about his finances on the application.

Lloyds confirmed it wouldn't be making any refund of interest to Mr H.

Dissatisfied with the bank's response, Mr H referred his complaint to the Financial Ombudsman Service. An Investigator looked at what had happened. She noted Lloyds had carried out its own calculations, which showed Mr H would have had £721 per month disposable income. In addition, Lloyds' review of Mr H's credit file showed no defaults, County Court Judgements (CCJs), or late payments. However, the Investigator thought Lloyds could have carried out further checks, given Mr H also had his current account with the bank. But even if the bank had done this, it wouldn't have changed the outcome. This was because Mr H's bank statements for the three months leading up to the opening of the credit card showed average income of about £1,800 per month and average expenditure of about £1,000. The statements also didn't show any signs of financial difficulties.

Given this, even though Lloyds didn't check Mr H's bank statements, the Investigator thought that this meant Lloyds had acted fairly when it approved the application.

The Investigator also found nothing to show any unfair relationship that might be seen as unfair by a court under s.140A Consumer Credit Act 1974.

Mr H disagreed with the Investigator's findings and asked for an Ombudsman to review the complaint. Mr H said he was in a constant cycle of transferring money from credit cards to his current account to pay off other credit cards, and that Lloyds had said his spending habits weren't good. Mr H also said that if Lloyds had carried out sufficient checks the bank would have realised that he had other accounts with multiple lenders who only offer cards to high risk customers.

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.

Before entering into a credit agreement Lloyds needed to check that Mr H could afford to repay the credit out of his usual means, within a reasonable period of time, without having to borrow further and without experiencing financial difficulty or other adverse consequences. The checks needed to be proportionate to the nature of the credit, for example the amount offered, and to Mr H's particular circumstances. In addition Lloyds needed to have proper regard to the outcome of its risk assessment in relation to affordability. The overarching requirement was that Lloyds needed to pay due regard to Mr H's interests and treat him fairly.

With all this in mind, I have to consider whether Lloyds carried out reasonable and proportionate checks when it opened the account for Mr H to satisfy itself that he would be able to repay the credit offered within a reasonable period of time. If it didn't do this, what would reasonable and proportionate checks have shown? Was there anything of concern in the checks Lloyds carried out, and did it make fair lending decisions? Did Lloyds treat Mr H unfairly or unreasonably in any other way, including whether the relationship might have been unfair under s.140A Consumer Credit Act 1974 (s.140A CCA)?

At the time of the application Mr H told Lloyds that he was in full-time employment on a salary of just under £22,500. A credit check showed no CCJs, and he was neither in an Individual Voluntary Arrangement with his creditors, nor had he been declared bankrupt. After taking account of Mr H's household expenses, he had disposable income of about £450 per month.

It seems to me that Lloyds carried out a proportionate check when it opened the account. It considered what Mr H said on his application form and checked his credit file. I've reviewed

the information Lloyds gathered and I haven't seen anything which suggests that Mr H would have any difficulty meeting his repayments for the level of credit offered out of his stated income. I also don't think there was anything in the information Lloyds had gathered about Mr H's circumstances that should have led it automatically to decline his application, or prompted it to complete further checks before entering into the agreement.

Bearing in mind there wasn't anything in the information provided by Mr H that was inconsistent or difficult to explain, I don't think that it was unreasonable for Lloyds to rely on what Mr H provided about his income and expenditure during his application. In the circumstances, the information obtained suggested that Mr H could repay a balance of £2,500 within a reasonable period of time. The checks Lloyds carried out were reasonable and proportionate.

Altogether, considering the information about Mr H's income from the application form, what Lloyds saw on Mr H's credit file, and the amount of credit it was offering, I can't say that Lloyds made an irresponsible or unfair lending decision when it opened the account for Mr H.

Although Lloyds *could* have looked at Mr H's Lloyds current account bank statements, I don't think these would have resulted in Lloyds declining the application. The use of the account was within its limit, it doesn't appear to be the account into which Mr H's salary was paid, and it appears to have been used primarily for payments to HMRC and small purchases of crypto-currency. On the few occasions the account went into slight overdraft, it was immediately put back into credit. I'm not persuaded, therefore, that there was anything in the use of Mr H's Lloyds current account that would have caused alarm or led the bank to make a different decision about whether or not to offer Mr H the card.

In the circumstances, therefore, I'm not persuaded that Lloyds acted irresponsibly or unreasonably when it offered Mr H the facility. Mr H also complained that Lloyds acted irresponsibly when it increased the credit limit. However, the limit was never increased, only decreased.

In reaching my conclusions, I've also considered whether the lending relationship between Lloyds and Mr H might have been unfair to Mr H under s.140A CCA. However, for the reasons I've explained, I've not been persuaded that Lloyds lent irresponsibly to Mr H, or otherwise treated him unfairly. Given this, I'm not persuaded that s.140A CCA would, given the facts of this complaint, lead to a different outcome.

My final decision

My final decision is that I don't uphold this complaint.

This final decision concludes the Financial Ombudsman Service's review of this complaint. This means that we are unable to consider the complaint any further, nor enter into any discussion about it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 8 April 2025.

Jan O'Leary
Ombudsman