

The complaint

Mr K complains that Lloyds Bank PLC irresponsibly lent to him.

What happened

Mr K was approved for a Lloyds credit card, in August 2015 with a £1,000 credit limit. I have detailed the credit limit increases below:

June 2016	£1,000 to £1,200
August 2017	£1,200 to £3,200
May 2018	£3,200 to £5,700

Mr K says that Lloyds irresponsibly lent to him on the last two lending decisions (increasing his credit limit from £1,200). Mr K made a complaint to Lloyds, who did not uphold his complaint. Mr K brought his complaint to our service.

Our investigator did not uphold Mr K's complaint. He said that information was limited regarding the checks completed prior to the August 2017 credit limit increase due to the time that's passed, but he thought Lloyds should have completed further checks with the credit limit increase in May 2018. But our investigator concluded that if Lloyds did make further checks, then Lloyds would have still made a fair lending decision.

Mr K asked for an ombudsman to review his complaint. He said if Lloyds had checked his credit card statements prior to the increases from his £1,200 credit limit, then they would have seen his spending was out of control and he'd made a lot of cash withdrawals. He said Lloyds were irresponsible to increase his credit limit over £1,200 without completing proper checks, and he doesn't believe Lloyds made proper checks. He also told us about his personal circumstances after the last credit limit increase.

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.

As Mr K has been clear he is complaining about the last two lending decisions (August 2017 and May 2018), I have only considered these two lending decisions.

Before agreeing to increase the credit available to Mr K, Lloyds needed to make proportionate checks to determine whether the credit was affordable and sustainable for him. There's no prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include - but are not limited to: the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. I've listed below what checks Lloyds have done and whether I'm persuaded these checks were proportionate.

August 2017 credit limit increase - £1,200 to £3,200

I've looked at what checks Lloyds said they did when they increased the credit limit on Mr K's account to £3,200. Lloyds have said that due to the time that's passed, they have no information regarding this. So I can't see what their checks would have shown. Therefore I'm not able to say that the checks they performed prior to the £3,200 credit limit being approved were proportionate or not, or whether they made a fair lending decision here.

I know Mr K thinks this is because Lloyds didn't complete any checks, but I have no evidence of this. I do have access to basic profile notes for Mr K, and I can see that he requested a credit limit increase to £1,300 on 7 November 2016, which Lloyds declined. So it doesn't appear they would just increase a credit limit without checks.

Lloyds would have been aware of how Mr K ran his credit card account. So I've looked to see if there were any reasons why Lloyds shouldn't have increased the credit limit to £3,200. I can see from the notes that Mr K hadn't exceeded his credit limit, or been late with a repayment in 2017, prior to the credit limit increase.

I've considered what Mr K has said about him using cash withdrawals, however, Mr K barely used his card apart from purchases (which weren't made every month), and he often paid a lot more than his minimum repayment, which could suggest he had the affordability to sustain repayments for a higher credit limit. Mr K had made a number of payments to the account prior to the August 2017 credit limit increase, and he was not near his credit limit. So I can't fairly say he was showing any financial difficulties based on his account management prior to the credit limit increase.

Ultimately, I simply do not have sufficient evidence to conclude that Lloyds did not make a fair lending decision when they approved Mr K's credit limit increase to £3,200.

May 2018 credit limit increase - £3,200 to £5,700

I've looked at what checks Lloyds said they did when they increased the credit limit on Mr K's account to £5,700. I can see that the day before the credit limit was increased, Mr K exceeded his credit limit. So this could be a sign of financial difficulty, or it could've been a genuine oversight from Mr K.

From the information Mr K provided, and the information Lloyds obtained from a Credit Reference Agency (CRA), Lloyds believed Mr K was earning £1,606 a month income. They were able to calculate Mr K's unsecured credit commitments to be £280 a month. They also estimated what Mr K's housing costs and essential living costs were. And they estimated that Mr K had disposable income of £714 a month.

The checks from the CRA showed that no County Court Judgements (CCJ's) or defaults were showing on Mr K's credit file. The information also showed that Mr K had not been in arrears on any of his accounts in the six months leading up to the May 2018 credit limit increase. They were also aware that Mr K's external revolving balances (such as credit card/overdrafts) were being reported by the CRA as £1,761, and outstanding loan debt was being reported as £433.

Lloyds would have also seen how Mr K used his credit card prior to the credit limit increase. Mr K had repaid the majority of his balance off at the end of 2017, however, he started using the card more frequently prior to the credit limit increase, and he did make several transactions which incurred a cash fee, which could be a sign of financial difficulty.

So based on Mr K exceeding his credit limit just before the credit limit increase, the size of the credit limit increase (being a more than 50% higher credit limit increase), and his multiple transactions which attracted a cash fee, then I'm persuaded that Lloyds should have made

further checks to ensure the credit limit increase would be affordable and sustainable for Mr K.

There's no set way of how Lloyds should have made further proportionate checks. One of the things they could have done was to contact Mr K to check with him why he exceeded his credit limit and why he made multiple transactions which attracted a cash fee leading up to the credit limit increase. Or they could have asked for his bank statements as part of a proportionate check to ensure the lending was sustainable and affordable for him.

Mr K has provided his bank statements leading up to the credit limit increase. I've reviewed the bank statements to see if Lloyds made a fair lending decision in approving the last credit limit increase.

Mr K's statements show a steady income crediting his account. The income shown on Mr K's bank statements was often more than what Lloyds believed to be his income. And although Mr K often used his overdraft, he didn't appear to exceed his overdraft limit leading up to the final credit limit increase. There were no returned direct debits in the lead up to the credit limit increase.

So based on the income and expenditure of Mr K's bank statements leading up to the credit limit increase, it would appear that he had the disposable income to be able to sustainably afford the £5,700 credit limit. And they would have also seen repayments to Mr K's credit card which were higher than his minimum repayment.

So if Lloyds had carried out proportionate checks prior to the £5,700 credit limit increase, such as requesting Mr K's bank statements, for the reasons I previously gave, I'm persuaded that they still would have increased his credit limit to £5,700, and I'm persuaded that they made a fair lending decision to increase his credit limit here.

Mr K has told us about his personal circumstances that happened after the £5,700 credit limit was increased. I'll not go into details in this decision to help protect Mr K's identity, but I can assure him I've read everything he's told us. But as Mr K's issues that he's told us about predominantly occurred after the credit limit increase to £5,700, then I'm not persuaded that these would have been foreseeable to Lloyds prior to the credit limit increases.

I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I can't conclude that Lloyds lent irresponsibly to Mr K or otherwise treated him 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. So it follows I don't require Lloyds to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 February 2025.

Gregory Sloanes
Ombudsman