

## **Complaint**

Mr D complains that Lloyds Bank PLC (“Lloyds”) unfairly entered into a hire-purchase agreement with him. He’s said that the monthly payments to this agreement were unaffordable and so he shouldn’t have been lent to.

## **Background**

In August 2019, Lloyds provided Mr D with finance to facilitate the purchase of a used car. The purchase price of the vehicle was £11,800.00. Mr D paid a deposit of £1,180.00 and entered into a hire-purchase agreement with Lloyds, which had a term of 60 months, for the remaining £10,620.00.

The loan had hire purchase charges (effectively interest) of £5,121.20 and a £10 option to purchase fee. This meant that the balance repayable of £15,751.20 (the total amount repayable not including Mr D’s deposit) was due to be repaid in 60 monthly instalments of £262.52.

In May 2024, Mr D complained that the monthly payments for this agreement were unaffordable and so Lloyds should never have agreed to provide finance to him. Lloyds didn’t uphold the complaint. It said that its checks confirmed that the finance was affordable and so it was reasonable to lend.

Mr D’s complaint was considered by one of our investigators. He didn’t think that Lloyds had done anything wrong or treated Mr D unfairly. So he didn’t recommend that the complaint should be upheld.

Mr D disagreed with our investigator and the complaint was passed to an ombudsman for a final decision.

## **My findings**

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 irresponsible and unaffordable lending on our website. And I’ve used this approach to help me decide Mr D’s complaint.

Having carefully considered everything, I’ve decided not to uphold Mr D’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 that Lloyds needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Mr D before providing it.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggested the lender needed to know more about a prospective borrower's ability to repay.

Having carefully thought about everything I've been provided with, I'm not upholding Mr D's complaint. I'd like to explain why in a little more detail.

Lloyds says it agreed to Mr D's application after Mr D provided details of his monthly income, and some details on his expenditure. Lloyds says that it also carried out searches with credit reference agencies, although it hasn't provided the results of what these checks showed.

In any event, I've considered a copy of the full credit report which Mr D has provided us with. This shows that Mr D is unlikely to have had any significant adverse information such as defaults or County Court Judgements ("CCJ") recorded against him at the time of this application.

In Lloyds' view, when reasonable repayments to the amount Mr D owed plus what Mr D declared for his living expenses were deducted from his monthly income, the monthly payments were affordable. On the other hand, Mr D says that his expenditure already exceeded his income, so these payments were unaffordable and there was no way he was going to be able to maintain them.

I've thought about what Mr D and Lloyds have said.

The first thing for me to say is that the information obtained at the time does appear to show that when Mr D's committed regular living expenses and existing credit commitments were deducted from what he received each month, he did have the funds, at the time at least, to sustainably make the repayments due under this agreement. Indeed, I can't see that Mr D's expenses were more than what he declared.

Mr D has said that the information doesn't accurately reflect his financial position. I've seen what he's said about his gambling and that he was using his overdraft at the time. Mr D might have been using his overdraft but there isn't an automatic prohibition to lending to a prospective borrower who has used (or is using an overdraft) in the way that Mr D's arguments suggests he believes to be the case.

Furthermore, while I'm sorry to hear about what Mr D has said about his gambling, I think it's fair that the extent of this would only have been discovered if a detailed manual review of his bank statements had taken place. In my view, this simply isn't commensurate with a proportionate check, given Mr D's credit history was reasonable and the amount of the deposit that he was paying here.

Overall and having carefully considered everything, while I accept that there is an argument for saying that Lloyds' checks before entering into this hire-purchase agreement with Mr D might not have gone far enough, I'm, in any event, satisfied that carrying out further checks won't have stopped Lloyds from providing these funds, or entering into this agreement with Mr D.

In reaching my conclusions, I've also considered whether the lending relationship between Lloyds and Mr D might have been unfair to Mr D under section 140A of the Consumer Credit Act 1974 ("CCA").

However, for the reasons I've explained, I don't think Lloyds irresponsibly lent to Mr D or otherwise treated him unfairly in relation to this matter. And I haven't seen anything to suggest that section 140A CCA or anything else would, given the facts of this complaint, lead to a different outcome here.

So I don't think that Lloyds acted unfairly or unreasonably towards Mr D. And I'm not upholding this complaint. I appreciate that this will be disappointing for Mr D. But I hope he'll understand the reasons for my decision and at least consider that his concerns have been listened to.

### **My final decision**

My final decision is that I'm not upholding Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 January 2025.

Jeshen Narayanan  
**Ombudsman**