

## **The complaint**

Mr W says Lloyds Bank PLC irresponsibly lent to him.

## **What happened**

Mr W took out a loan for £5,300 over 84 months on 14 July 2016. The monthly repayments were £68.38 and the APR was 9.6%. The loan was given to enable Mr W to repay his overdraft with Lloyds as the facility was being removed from his account.

Mr W says given what Lloyds knew about his financial position it should not have given him this loan, he had a gambling addiction. He made a separate complaint to this service about a number of loans Lloyds approved for him in May 2015. As Mr W is aware this decision will solely review the lending decision in July 2016, and not the overdraft it repaid or the 2015 loans.

Lloyds initially said Mr W had brought his complaint too late, but later gave consent for this service to review it. It explained this was a refinance loan to allow Mr W to repay his overdraft. He had contacted Lloyds when he was having financial difficulties. It reviewed his income and expenditure for the three months prior to ensure the loan repayments were affordable.

Our investigator did not uphold Mr W's complaint. He said Lloyds made a fair lending decision. It had reviewed the affordability based on Mr W's bank statements and taken into account his borrowing history and his previously problematic gambling which by that time was being addressed.

Mr W disagreed and asked for an ombudsman's review.

## **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 set out our approach to considering unaffordable and irresponsible lending complaints on our website including the key relevant rules, guidance and good industry practice. I've had this approach in mind when considering Mr W's complaint.

Lloyds needed to take reasonable and proportionate steps to ensure that it didn't lend to Mr W irresponsibly. This means it should've carried out reasonable and proportionate checks to satisfy itself that Mr W could repay the loan in a sustainable way. These checks could take into account a number of things such as the loan amount, the repayment amount and Mr G's income and expenditure.

This means to decide this complaint I need to consider if Lloyds' checks were proportionate; if so, did it make a fair lending decision; if not, what would proportionate checks most likely have shown; and finally, did Lloyds act unfairly towards Mr W in some other way.

In this case the purpose of the loan is important. Mr W had contacted Lloyds around 12 months before explaining his gambling was problematic and he was having financial difficulties. Lloyds explained it would reduce his overdraft gradually over the coming months. By July 2016 there remained a facility of £5,170 and so Lloyds worked with Mr W to set up a refinancing loan, rather than defaulting his current account.

I have looked at the checks it completed that it still has the results for – it no longer has any credit file data it may have reviewed. This is not unreasonable given the time since the loan was arranged. Lloyds completed a detailed income and expenditure analysis based on transactions from the three months prior. This showed Mr W had an average monthly income of £1,574 and expenditure (non-discretionary) of £1,131.39. So the loan would be affordable on a pounds and pence basis.

But Lloyds also had to consider the impact on Mr W of making the repayments to ensure he could do so sustainably, without the loan causing financial harm. To be clear, I can only consider in this decision whether granting this loan in July 2016 caused financial harm, not the impact of any previous lending decisions Lloyds made.

In Mr W's circumstances – which I acknowledge must have been difficult and stressful – I think the loan was financially helpful. It allowed him to repay the capital he owed at a lower cost, and not just repay charges each month. He told Lloyds he had closed his gambling account and was receiving help. I can see that around the time Mr W's overdraft facility was removed the gambling transactions from his current account reduced and they then stopped.

In this case Lloyds did not, in essence, approve new lending. It moved the debt Mr W already owed it onto a fixed term loan agreement with a lower cost of borrowing and with monthly repayments that its calculations (based on actuals) showed would be affordable. I am satisfied that by doing this Lloyds put Mr W in a better position than if the overdraft had remained, or if it had been removed as was planned. It seems Mr W's bank account was well managed in subsequent years and the loan was repaid in line with the contractual terms.

Overall, based on the available evidence, I do not find it was wrong for Lloyds to give this loan to Mr W.

I've also considered whether the relationship 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 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**

I am 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 3 February 2025.

Rebecca Connelley  
**Ombudsman**