

## **The complaint**

Mr N, through his representative, complains that Lloyds Bank PLC lent to him when he could not afford it. Lloyds approved a credit card for Mr N on 22 March 2018 with a credit limit of £1,000.

## **What happened**

The card was approved for Mr N in March 2018 with a £1,000 credit limit which was reduced in January 2019 to £900 and to £850 in April 2020. Following Mr N's complaint, Lloyds responded with its final response letter (FRL) in November 2023 to say that it lent to him responsibly but refunded some cash advance fees to him. It said:

*'Ultimately, where customers have chosen to use the limit, they must take responsibility for the spending. However, whilst the cash advance fees and interest were charged correctly, given your circumstances at the time, I've refunded them (£796.62) as I believe it will put you in the right position. I've enclosed a cheque for the amount within this letter.'*

The account was paid off in April 2020 and closed October 2021.

Our investigator looked at the complaint and did not uphold it. Mr N disagreed and made some points, all of which I have read and address in my decision. The unresolved complaint was passed to me to decide.

After I had reviewed the complaint, I asked Lloyds about the £796.62 cheque referred to in the FRL. I understand the cheque was issued and sent but never cashed by Mr N and I come back to this later in the decision.

## **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 approach to unaffordable/irresponsible lending - including all the relevant rules, guidance, and good industry practice - is set out on our website and I have followed it here.

Lloyds was required to lend responsibly. It needed to conduct checks to make sure that the credit it was giving to Mr N was affordable and sustainable. Such checks needed to be proportionate to things like the credit limit it offered Mr N, how much he had to repay (including interest and charges) each month, his borrowing history with it and what it knew about his circumstances. But there is no set list of checks it had to do.

This means to reach my conclusion I need to consider if Lloyds carried out proportionate checks at the time it approved the new card for Mr N and when it applied the credit limit increases; if so, did it make fair lending decisions based on the results of its checks; and if not, what better checks would most likely have shown.

Also, I'll consider whether Lloyds acted unfairly towards Mr N in some other way.

### ***The initial card approval March 2018***

Lloyds have provided details of the information it had from Mr N – his income of £1,900 after tax each month, plus Mr N said he had no housing costs and had no other outstanding credit cards. Mr N had unsecured credit commitment costs of £68 a month and no adverse information on his credit file.

It used cost of living figure of £0 month as Mr N had told Lloyds he was single with no dependants and living at home with his parents. This was a reasonable approach considering what Mr N had told Lloyds. And his domestic circumstances meant that Mr N was not at risk of exposure to difficulties with priority bills such as rent and utility bills.

Lloyds used credit reference agency tools to assist in verifying the information which provided it with income from unsecured applications in the last 12 months that have been reported to those agencies. Plus, Lloyds did a Current Account Turnover (CATO) estimate from current account data reported to it.

Lloyds carried out a credit search and Mr N had another credit commitment cost of £68 a month according to its records but I do not know what that was for. There was no adverse information recorded such as insolvencies, defaults, or other negative data like that. Overall, this is a good credit search record and Lloyds would have been aware of that.

Addressing a couple of points Mr N has raised, he said to us:

*'Lloyds bank knew I was struggling with a gambling addiction as I had struggled to pay off my overdraft and told them this.'*

I looked at another complaint we have from Mr N about his overdraft and it appears that the struggle with his overdraft was raised with Lloyds in 2019. This post-dated the approval of the credit card in March 2018. Plus, more recently Mr N has said to us:

*'Lloyds bank [sic] were aware is [sic] 2019 of my addiction and also would have been aware prior to 2019 if they had monitored my account which it wouldn't have been hard for them to do.'*

'sic' is a way of indicating that the quote has been reproduced exactly as it was written.

So, Mr N has volunteered the 2019 date as being a date that he says Lloyds became aware. The other point – whether it ought to have refused his card because it ought to have been aware of his gambling addiction because he held a current account with it, is a different point to address.

Lloyds knew from its own records that Mr N had a student (Graduate) current account with it and that had a £2,000 overdraft. Lloyds has said:

*'Our notes show you wanted a credit card for occasional and emergency use, and the limit of £1000 was appropriate for this. From checking our records, we didn't know you were struggling with gambling at the time.'*

I have reviewed all I have from both Mr N and Lloyds and I am not satisfied that Lloyds was aware of the gambling being an issue. It may have been aware that some of the transactions on his current account were related to betting and gaming, but not necessarily that this was a problem for him in early 2018 such that he could not control it. So, I am not persuaded that Lloyds had enough to decide it ought to refuse the card when he applied for it in March 2018.

Mr N's representative has said that missed payments from 2014 on a previous credit account ought to have influenced Lloyds' decision making but I consider these to have been too far removed (four years earlier) from Mr N's application to Lloyds in March 2018.

Mr N's representative has also said that missed payments on the credit card ought to have influenced Lloyds but as there were no credit limit increases and the only lending decision was March 2018 then missed payments to that card afterwards would not have occurred when the lending decision was being made in March 2018.

In the circumstances I consider that Lloyds carried out proportionate checks, and applied a credit limit of £1,000 which was proportionate to the information it had about Mr N. This was not a large credit limit. I do not uphold Mr N's complaint about the initial card approval. There were no credit limit increases.

### ***The cheque***

As I've already said – Mr N had been sent a cheque for some cash transaction fee refunds already. It's not been cashed. So, although I will not be asking Lloyds to do more than it has already in relation to irresponsible lending, Lloyds does need to make that payment to Mr N.

As for the cheque – there are many reasons why the cheque may not have been cashed by Mr N and these will need to be explored by Lloyds if it feels it needs to.

Overall, I think it would be fair and reasonable that as Lloyds said it was going to refund him £796.62 then it needs to do that. Even if that means paying it directly into his account or re-issuing another cheque. This cheque was sent with the FRL – it was not an offer. It was a definite payment. It may have been linked with cash transaction fee calculation in view of the card offer in place when Mr N took the card. But as this was not part of the complaint, and the cheque was a definite payment to Mr N, and therefore not in dispute as far as Lloyds was concerned, I have not investigated it further.

But the £796.62 needs to be paid to Mr N by the quickest route possible. It is not linked with any decision Mr N makes in relation to this decision. Meaning – if Mr N rejects the decision about the irresponsible lending he will not be rejecting the £796.62 refund.

### **CCA 1974 s140A**

I've also considered whether Lloyds acted unfairly or unreasonably in any other way and I have 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 don't think it lent irresponsibly to Mr N 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**

My final decision is that I do not uphold the complaint.

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

Rachael Williams  
**Ombudsman**