

The complaint

Miss W complains that Lloyds Bank plc irresponsibly lent her two personal loans.

What happened

In September 2017 Miss W took out a loan of £10,000 with Lloyds. It was payable over a term of five years, at an annual interest rate of 6.22%. The monthly loan payments were £194.35.

In March 2021 Miss W took out a second loan with Lloyds. She borrowed £10,456 over five years at an annual interest rate of 14.85%. The monthly payments were £247.92. This loan repaid the remaining balance on the first loan, which by then was just under £4,000.

In March 2024 Miss W made a complaint to Lloyds. She said she had taken financial advice and had been advised to complain about Lloyds' decisions to lend her the loans. She said she was already struggling financially when Lloyds gave her the first loan, but in assessing her application it only asked her how much she paid in rent and not about her other expenditure. She said it didn't carry out proper checks to see that she could afford to repay the loans, and the loans pushed her further into financial hardship and affected her health.

Lloyds said Miss W had left it too late to complain about the first loan, so it wouldn't investigate her complaint about that. It said it had carried out appropriate checks before lending her the second loan, the loan appeared to be affordable, she had paid the loan on time and hadn't told it about any financial difficulties until she made this complaint.

Miss W referred her complaint to us. Our Investigator didn't think her complaint about the first loan should be time-barred. Lloyds then consented to us investigating the complaint about both loans. Our Investigator looked into things and concluded that Lloyds hadn't lent either loan irresponsibly. He didn't recommend that the complaint should be upheld.

Miss W didn't accept that conclusion and asked for it to be reviewed. She still thought Lloyds hadn't carried out appropriate affordability checks before lending her the loans. She was also unhappy that Lloyds had failed to send her documents she said she was entitled to.

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.

I was sorry to read about the very challenging circumstances Miss W has faced and the health problems she has had. It's clear that she's been through a difficult time. I've kept all of this in mind when considering this complaint. I have, however, concluded that I can't fairly uphold it.

Lloyds has consented to me considering Miss W's complaint about both loans, so there's no need for me to look into whether the complaint about the first loan might have been made too late. I'm satisfied that I can consider Miss W's complaint about both loans.

In deciding this complaint, I've considered relevant rules – including relevant sections of the Consumer Credit sourcebook – guidance, and good industry practice. Having done so, I've come to the same overall conclusion as the Investigator did, for much the same reasons.

In assessing Miss W's loan applications, Lloyds needed to take reasonable steps to ensure that, if it agreed to lend, it did so responsibly. In practice, this means it should have carried out proportionate checks to make sure that Miss W could afford to repay any money it lent in a sustainable way. These checks could take into account a number of different things, such as how much was being lent, the level of monthly payments and Miss W's income and expenditure. But there was no set list of checks Lloyds had to do, and there was no requirement that it ask Miss W for her bank statements before lending for example.

Lloyds has provided details of the information Miss W gave it in her loan applications, together with the information it still has about the checks it carried out when deciding whether to lend. It has said that it only has limited information about the checks it did before lending the first loan because of the time that has since passed. I don't find that surprising or unreasonable given that the first loan was agreed more than six years before Miss W complained and this loan was repaid in 2021. Lenders aren't required to keep records indefinitely. Lloyds has been able to provide more information about the second application in 2021.

I've looked carefully at the information Lloyds has been able to provide about how it assessed both loan applications, alongside what Miss W has told us about her circumstances and the statements and credit report she has provided.

Miss W's stated monthly net income was £1,600 on the first application and £2,067 on the second application. She was renting a property; she said her monthly rent was £381 on the first application and £440 on the second application. At the time of both applications Miss W said she was single with two dependants.

Lloyds has said that in assessing Miss W's applications it used the information Miss W provided, what it already knew about her as an existing customer, it carried out a credit check, and it assessed her expenditure based on data from the Office for National Statistics (ONS). On that basis, it has said that it calculated how much money Miss W would have left from her income each month to cover living costs and day to day expenses if it lent the loans, and its calculations showed that the monthly loan payments were affordable.

The bank statements Miss W has provided to our Investigator show that her income in the months leading up to both applications amounted to about the amounts she declared on her applications. So the income Lloyds relied on when assessing the affordability of the loans was fairly accurate.

Miss W has said that Lloyds didn't check her credit file when assessing either loan application, because that's what some of the documents she has obtained through a subject access request say. Lloyds hasn't been able to show that it did a credit check when it assessed the application for the first loan. It has however provided a copy of the automated credit check it did when it assessed Miss W's application for the second loan. This shows data from a credit reference agency about the status of Miss W's existing accounts and recent applications for credit. It also shows that all her accounts were up to date and there had been no credit searches in the preceding six months.

I'm satisfied that Lloyds did carry out a credit check before lending the second loan, and I think it more likely than not that it did the same before lending the first loan given that doing so was part of its usual process on receipt of a loan application.

Our Investigator concluded that, given the limited information available about the checks Lloyds did when it assessed Miss W's application for the first loan, it would be difficult to say that it carried out proportionate checks before lending. Had it made further enquiries about Miss W's expenditure, however, I agree with the Investigator that its decision to lend would have been reasonable because the monthly loan payments appeared to be affordable.

Miss W has provided copies of her bank statements for the period between May and September 2017. They show what her income and expenditure actually was in the months leading up to the first loan application, and they therefore show what Lloyds might have found if it had done further checks. They show that while Miss W's account was overdrawn during this period, it nevertheless appeared well managed - the overdraft balance varied up and down from a starting point of £600 on 1 May 2017 to £989 on 31 August 2017. They also show that Miss W was able to afford to pay essential bills and living costs from her income, which consisted of her salary, benefits and child maintenance payments. Miss W has also provided a credit card statement from August 2017 which shows the card balance was within the credit limit and she paid more than the minimum monthly payment that month. She appeared to be managing her expenditure and not to be in a cycle of increasing debt, and she had enough disposable income to have afforded the monthly loan payments of just under £200.

So, despite the lack of details about exactly what checks Lloyds did before lending the first loan and what it found after doing those checks, on the evidence that is available I don't think I can reasonably conclude that it was irresponsible or unfair to lend.

Lloyds has been able to provide more information about the checks it carried out before lending the second loan in March 2021. Miss W told it on her application that her monthly income was £2,067, and she paid monthly rent of £440. The loan was to repay existing debts. Lloyds' checks showed that she had existing unsecured credit commitments of £469 a month, and it used ONS data to assess her likely expenditure on essential living costs given her circumstances, which came to £434 per month. Her credit file showed no adverse information, she had paid her existing loan with Lloyds on time every month (other than during an agreed payment deferral in 2020 in the early months of the coronavirus pandemic), and the turnover of her current account indicated that loan payments of just under £250 a month were affordable - taking into account that she would no longer be paying just under £200 a month to the first loan because that was to be repaid with the second loan.

In the circumstances I consider that Lloyds carried out proportionate checks before lending the second loan. It didn't have to ask Miss W for proof of her income or expenditure - it was able to verify that information through its own checks. Those checks included using ONS data and that was a reasonable approach for Lloyds to have taken. Lloyds also didn't have to ask about Miss W's health or whether she had any difficulties in understanding the loan agreement. If Miss W needed the agreement to be translated I think it was for her to tell Lloyds that. I've also seen nothing to indicate that Lloyds knew Miss W was vulnerable or that it should reasonably have identified that she might need extra support.

I'm satisfied that the checks Lloyds carried out showed that the monthly payments of just under £250 for the second loan should have been affordable on a sustainable basis - and I think it would be difficult to conclude that it was unreasonable for Lloyds to lend the loan. I've noted what Miss W has said about having had to move home urgently in late 2021 and I recognise that this will have caused her some difficulties, but I don't think Lloyds could reasonably have foreseen that she might have those extra expenses when it lent to her in March 2021.

I've also thought about whether considering this complaint more broadly as being about an unfair relationship under section 140A of the Consumer Credit Act 1974 would lead to a different outcome. But even if it could (and should) reasonably be interpreted in that way I'm satisfied this wouldn't affect the outcome.

In summary, I consider that Lloyds wasn't irresponsible in lending either loan. I don't therefore require it to compensate Miss W or to take any other action to settle this complaint.

Finally, Miss W is also unhappy with Lloyds' handling of her subject access request. That's separate to this complaint about irresponsible lending, and it's not appropriate for me to deal with it here. Miss W may be able to make a fresh complaint to Lloyds about that if she hasn't already, and we may be able to consider that complaint separately if she would like us to do so.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 29 May 2025.

Janet Millington
Ombudsman