

## **The complaint**

Mr B complains that Lloyds Bank PLC irresponsibly lent him a personal loan in March 2024 and that its service has since been poor.

## **What happened**

In March 2024 Mr B was the victim of an investment scam. He was contacted by someone claiming to be from an investment firm, inviting him to invest. On 25 March 2024 he made an online application to Lloyds for a loan of £20,000. He says he did so on the fraudster's instructions.

The loan application was approved and Lloyds gave Mr B the loan. The monthly repayments were around £440 over a term of five years. Lloyds paid the loan money into the joint Lloyds bank account Mr B and his wife hold.

Mr B then transferred the loan money to another account in his name with a different bank, and from there to another account in his name which he says the fraudster had instructed him to open. He then transferred the money again but the fraudster told him that it hadn't reached the right accounts and he needed to take out another loan for £5,000. Mr B became concerned and called Lloyds. He says Lloyds told him that what had happened sounded like a scam and he should contact the other banks he held accounts with and Action Fraud. He did so. He has since received some of his money back from one of the banks involved.

Mr B says he then heard nothing from Lloyds other than demands for payment and it didn't communicate with him about the fraud. He made a complaint about this and about Lloyds' decision to grant the loan.

Lloyds apologised for the upset caused by its poor communication, and paid Mr B £100 compensation. But it said it had hadn't done anything wrong in lending him the loan, because he had made the application, it had carried out appropriate checks, and it had granted the loan on that basis. It said Mr B would need to make his fraud claim to the bank from which the money was paid to the fraudster.

Mr B referred his complaint to us. He said Lloyds didn't carry out appropriate checks to ensure he could afford to repay the loan, it didn't ask any questions about his financial situation, and it should have seen the loan wasn't affordable.

Our Investigator considered that Lloyds had carried out appropriate checks before granting the loan and the loan appeared to be affordable and sustainable. She concluded that it had made a fair decision to lend. Mr B didn't accept that conclusion and asked for a 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.

I was very sorry to read about what has happened to Mr B. He has been the victim of a cruel scam and it's clear that this has had a significant impact on him. I can't however uphold his complaint about Lloyds on those grounds. Having carefully considered all the evidence and surrounding circumstances, I've come to the same overall conclusion as our Investigator, for broadly the same reasons.

Lloyds was required to take reasonable steps to ensure that it didn't lend to Mr B irresponsibly. It should have completed reasonable and proportionate checks to satisfy itself that Mr B would be able to repay the loan in a sustainable way. There's no set list of what reasonable and proportionate checks must look like. They could take into account a number of different things, such as how much was being lent, the level of monthly payments and Mr B's income and expenditure.

Lloyds has provided details of the information Mr B gave it on his loan application, together with the checks it carried out when deciding whether to lend. It has said that it considered the annual income of £55,000 which Mr B put on his application and the housing costs he declared of £0. It also used information about Mr B from credit reference agencies and the information it already held about him as an existing customer, and factored in essential living costs based on statistical data. It concluded that Mr B would be left with over £2,000 disposable income a month, which meant the loan payments of around £440 were affordable. It agreed to lend him the loan on that basis.

Lloyds' records reflect these checks. Mr B banked with Lloyds, so it had information about his income and how the current account he holds with his wife had been managed. The statements for that account show that Mr B's salary was being paid into it. His take home pay was received weekly and varied slightly from week to week, but in the four weeks leading up to the loan application it came to just under £2,800. This is a few hundred pounds less than might be expected on an annual salary of £55,000. There was, however, some fluctuation in Mr B's weekly income, and other payments were received into the current account of a few hundred pounds on an ad hoc but regular basis.

Lloyds' records say that it also carried out a credit check and factored into its assessment monthly payments of just over £700 to existing unsecured debt. The credit check also showed that Mr B was up to date with all his payments; there were no recent late or missed payments, and there was no active mortgage showing on his credit file. The credit file Mr B has since provided also shows no active mortgages and, while Mr B was borrowing a reasonably large amount, he was employed with a regular income.

I've also considered whether Lloyds ought to have identified that Mr B's loan application was made or was likely to have been made in connection with an investment scam. I don't think there was anything which should reasonably have alerted Lloyds to that. The loan money was released to a bank account which Lloyds had confirmed belonged to Mr B, and Mr B had put the purpose of the loan as home improvements on his application. I can see no reason for Lloyds to have questioned that. So I can't fairly conclude that Lloyds should have done anything differently which might have stopped Mr B from losing money in the scam.

I think that Lloyds carried out reasonable and proportionate checks to see if the loan was affordable before lending. Mr B applied for the loan and received the money and, in all the circumstances, I don't consider that I can fairly require Lloyds to write off the loan or not seek repayment of it from Mr B.

Mr B has also complained about the lack of communication from Lloyds about the fraud. Lloyds has apologised to him for that and paid him £100. I recognise that Mr B found the lack of contact upsetting and frustrating given the very difficult and stressful situation he found himself in. In the circumstances however I think Lloyds' apology and the compensation

it paid were a fair and reasonable response to that, and I don't require it to do any more. Lloyds has said that it will look at how it can support Mr B if he's struggling to make the loan repayments, and I think that's appropriate - in doing so it should keep in mind its obligation to treat him fairly.

Finally, I've thought about whether considering this complaint more broadly as being about an unfair relationship between Mr B and Lloyds 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 this particular case.

### **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 Mr B to accept or reject my decision before 24 April 2025.

Janet Millington  
**Ombudsman**