

Complaint

Miss V has complained about personal loans which she says Lloyds Bank PLC ("Lloyds") unfairly provided to her. She says the loans were unaffordable and so shouldn't have been provided.

Background

Lloyds provided Miss V with a total of four unsecured personal loans. Her loan history with Lloyds is as follows:

Loan 1 was for £1,500.00 and provided in May 2016. I understand that the total amount to be repaid of £2,140.92, which included interest fees and charges of £640.92, was due to be repaid in 36 monthly instalments of around £59.47. The limited records on this loan do not definitively confirm when this loan was settled.

Loan 2 was for £1,000.00 and provided in December 2016. This loan had an APR of 28.2% and the total amount to be repaid of £1,303.68, which included interest fees and charges of £303.68, was due to be repaid in 24 monthly instalments of around £53.42. Miss V settled this loan early and in full in September 2018.

Loan 3 was for £1,000.00 and provided in June 2017. This loan had an APR of 29% and the total amount to be repaid of £1,445.40, which included interest fees and charges of £445.40, was due to be repaid in 36 monthly instalments of around £40.15. This loan was settled in full in June 2019 with some of the proceeds from loan 4.

Loan 4 was for £5,200.00 and provided in June 2019. This loan had an APR of 9% and the total amount to be repaid of £6,660.51, which included interest fees and charges of £1,460.51, was due to be repaid in 71 monthly instalments of around £93.81. Miss V fell into difficulty repaying this loan and ended up defaulting in 2023.

Although it is my understanding that Miss V was provided with loan 4 in order to repay her Lloyds credit card and overdraft, which she has referred to, I've not considered complaints about those products as part of this decision. Therefore, I've only acknowledged the existence of these products insofar as they are relevant to my findings on Miss V's loans. I've not considered whether Lloyds acted fairly and reasonably towards Miss V in relation to her credit card and overdraft.

One of our investigators reviewed what Miss V and Lloyds had told us. He thought that Lloyds shouldn't have provided the first three loans to Mrs V and therefore recommended that the complaint about these loans should be upheld. However, he didn't think that Mrs V's complaint about loan 4 should be upheld.

Lloyds disagreed with the investigator's conclusions and asked for an ombudsman to review the complaint.

My provisional decision of 3 February 2025

I issued a provisional decision – on 3 February 2025 - setting out why I was not intending to uphold Miss V's complaint.

In summary, I wasn't intending to uphold Miss V's complaint because I was satisfied that reasonable and proportionate checks would have shown Lloyds that these loans were affordable. It wasn't persuaded that they had been provided in circumstances where Lloyds ought reasonably to have realised that it was increasing Miss V's overall indebtedness in a way that was unsustainable or otherwise harmful either.

Lloyds' response to my provisional decision

Lloyds didn't respond to my provisional decision or provide anything further to for me to consider prior to my final decision.

Miss V's response to my provisional decision

Mrs V responded to say that she disagreed with my provisional decision. She said that this was, in summary, because she:

- had complained about a credit card and I had not responded to that.
- was paying £300 a month for all of her loans.
- also had payday loans and loans with other creditors which I did not mention in my provisional 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.

Having carefully considered everything, including the responses to my provisional decision, I'm still not upholding Miss V's complaint. I'll explain why in a little more detail.

In the first instance Miss V has said that she has complained about her credit card and her overdraft. However, Miss V's completed complaint form only refers to loans as the product she is complaining about. That is why this complaint has been progressed as being solely regarding her loans.

In any event, my understanding is that Miss V has received a response from Lloyds in relation to her overdraft complaint. Furthermore, Miss V has been informed about the next steps in relation to her concerns about her credit card. As this is the case, I now turn to Miss V's complaint about her loans.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Miss V's complaint.

Lloyds needed to take reasonable steps to ensure 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 Miss V could afford to make her repayments before providing this loan.

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 it – 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 or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to provide loans to a customer irresponsibly.

Lloyds says it approved Miss V's applications after she provided details of her monthly income and some information on her expenditure. It says it cross-checked this against information on credit searches it carried out. In Lloyds' view, the information it gathered showed that Miss V could afford to make the repayments she was committing to on each occasion.

On the other hand, Miss V has said that she wasn't working and couldn't afford any of these loans.

I've carefully thought about what Miss V and Lloyds have said.

Our investigator's assessment

As I explained in my provisional decision, our investigator recommended that the complaint should be upheld in full, on the basis of findings he made regarding her overdraft usage. However, I don't think that it follows that Miss V shouldn't have been provided with the loans simply because our investigator reached the view that he may not have lent in circumstances where Miss V may have been using her overdraft.

I've therefore gone on to assess the circumstances at the time of each individual application and decided whether it was reasonable for Lloyds to lend on the occasions it did.

I'll now proceed to set out my assessment on each loan.

Loan 1

Loan 1 was for £1,500.00 and provided in May 2016. The limited information I've been provided on this loan suggests that Miss V had to make 36 monthly payments of around £59.47.

The limited information provided does appear to support what Miss V has said about not working at this time. Nonetheless, while Miss V may not have been working at this stage, I can see that she was receiving credits into her main account. These credits included benefit payments and transfers from private individuals. I think that the total amount of the credits she received do appear to be sufficient to make monthly payments of around £60.

Furthermore, I don't think that Miss V had too much in the way of existing credit commitments including payday loans, at this stage, either. I say this because Miss V's main account was with Lloyds and having reviewed the account statements I can't see many payments to existing creditors, or many payments towards living expenses. Indeed, it's fair to say that the vast majority of Miss V's expenditure was going on discretionary spending.

As I've explained, our investigator reached the conclusion that he wouldn't have lent to Miss V in these circumstances because of her overdraft usage. It's fair to say that Miss V was using her overdraft. However, I can see that Miss V still had a graduate account at this stage and having looked through the statements provided in detail, I can't see that she was being charged interest for using her overdraft at this time.

As this is the case, I don't think that Miss V choosing to use her overdraft in the way that she did, which was being provided on an interest free basis, was any cause or reason for Lloyds to automatically decline Miss V's loan application in the way that the investigator has suggested.

I also don't think that Miss V's overdraft usage, in itself, meant that Miss V couldn't afford to make the extremely low monthly payment she'd be required to make as a result of being provided with loan 1. Indeed, the credits Miss V was receiving into her account did suggest that she could afford to repay the around £60 a month required for this loan.

Bearing all of this in mind and having considered everything, I've not been persuaded to conclude that Lloyds acted unfairly in providing Miss V with loan 1. I'm therefore not upholding Miss V's complaint about this loan.

Loan 2

Loan 2 was for £1,000.00 and provided in December 2016. This loan was due to be repaid in 24 monthly instalments of around £53.42. However, the information I've seen suggests that loan 1 was still running at this point. So Lloyds in effect needed to keep in mind that Miss V was likely going to need to make combined repayments of around £110 a month for the duration of this loan.

The information from the time shows that the amount Miss V received each month had increased. It appears to be the case that she had started receiving a monthly income as a result of working, albeit part-time and she was also receiving some in work benefits.

I appreciate that Miss V's statements do show that she now had other creditors and some other commitments. For example, I can see that Miss V is now making payments to her Lloyds credit card and there are direct debits being paid for living expenses too. But again, while I appreciate what Miss V has said in response to my provisional decision, her account statements do not show anything in relation to any payday lending at this stage either.

Having considered the amount of the funds Miss V was in receipt of each month, it does look like she was in a position to be able to afford to repay a combined £110 a month as well as meeting her existing commitments.

For the sake of completeness, I can see that Miss V was still using her overdraft at this point. But it looks like she was still using the facility on graduate terms and not paying any interest as a result. As this is the case, I don't think that Miss V's overdraft usage ought to have caused any concern or prompted Lloyds to have decided against accepting this loan application either.

Bearing all of this in mind and having considered everything, I'm not persuaded that Lloyds acted unfairly in providing Miss V with loan 2 and I'm not upholding her complaint about this loan either.

Loan 3

Loan 3 was also for £1,000.00 and provided in June 2017. This loan was due to be repaid in 36 monthly instalments of around £40.15. However, the information I've seen suggests that loan 1 and loan 2 were running at this point. So Lloyds in effect needed to be aware that Miss V had to make combined repayments of around £150 a month.

I've seen what Miss V has said about her monthly loan payments totalling £300 at this stage. However, the monthly payment for loan 1 was £59.47, the monthly payment to loan 2 was

£53.42 and the monthly payment to loan 3 was £40.15. So the combined monthly payment for these three loans is £153.04. I appreciate that Miss V has used the term loan interchangeably with her credit card and her overdraft. But I can't see that contractually committed payments of £300 a month even when including the payments to her other Lloyds commitments.

Having considered the information in the statements, it appears as though Miss V's credit commitments were roughly the same as they were at the time of the application for loan 2. Her account statements do not show any repayments to payday lenders at this stage either. For the sake of completeness, I would also point out that I can't see anything else to indicate that she might have struggled to repay a further £40 a month.

Furthermore, I can see that Miss V received a £3,300.00 credit as a result of what looks to be a student loan in the month prior to her application for loan 3. Miss V could have received this credit because she had returned to being a student and this may well be why she was still able to use her overdraft on an interest free basis. Although it also looks like Miss V continued receiving other income from work and in-work benefits too.

Given that this was Miss V's third loan, I would have expected Lloyds to have noted that Miss V was now a repeat borrower. As a result, I would expect it keep an eye on Miss V's repayment record, which up until this point appears to have been good, as well as her overall indebtedness before deciding to provide her with any further credit after this.

That said, while I accept that there were signs to monitor going forward, the information provided does show that Miss V was more likely than not in a position where she could make a combined monthly payment of around £150 to her loans.

Bearing all of this in mind, I'm not persuaded that Lloyds acted unfairly in providing Miss V with loan 3. Therefore, I'm not upholding this loan.

Loan 4

It should be noted that the investigator's assessment did not uphold Miss V's complaint about this loan and Lloyds did not dispute his assessment. Nonetheless, I've considered whether Miss V's complaint about this loan should be upheld.

Loan 4 was for £5,200.00 and provided in June 2019. It was due to be repaid in 71 instalments of £93.81. It's fair to say that Miss V was being provided with loan 4 in completely different circumstances to loans 1, 2 and 3. For example, by this stage loans 1 and 2 had been repaid.

Furthermore, it's also worth noting that Miss V's student terms had expired and she was now being charged interest at commercial rates on her existing Lloyds credit card and overdraft. It's clear that Miss V got in contact with Lloyds in order to try and reduce the amount that she was paying.

Once a borrower gets in touch with a lender about any difficulty they may have in paying what they owe, I would expect a lender to take steps to understand the borrower's situation and determine a way forward. There are a number of different options that a lender could take to help in this scenario. A lender could temporarily suspend interest, fees and charges on the existing credit in order to provide the borrower with some breathing space. Or it could restructure the existing debt so that the borrower is left with a more manageable payment going forward. In this case, it appears that Lloyds opted for the latter in order to try and help Miss V with her existing debts.

I say this because the proceeds of loan 4 were to be used in order to clear Miss V's Lloyds credit card, her Lloyds overdraft and the remaining balance on loan 3. It's also worth noting that the interest rate on this loan was 9%, whereas the interest rate on the credit that Miss V was consolidating was almost triple this amount.

So it seems to me that this loan was going to save her interest going forward. And Lloyds providing this loan, on these terms, it is likely to have been fair and reasonable as long as Lloyds was reasonably entitled to believe that Miss V could afford the monthly repayments of £93.81 for the duration of the term.

Having looked at Miss V's account statements, it looks like she was in receipt of around £1,500.00 a month at the time of the application for loan 4 in June 2019. Lloyds' review of the complaint reached the conclusion that Miss V had a monthly disposable income of around £1,150.00 at this time. I don't think that Miss V's disposable income was as much as this, as I don't think that Lloyds' assessment included her rent payment.

However, even allowing a reasonable deduction for Miss V's rent and other reasonable living expenses, given Miss V wouldn't have had to make repayments to loan 3, her credit card and also credits to clear her overdraft within a reasonable period of time, I am satisfied that Lloyds was reasonably entitled to reach the conclusion that she could afford to make the payments to loan 4.

Having carefully scrutinised Miss V's current account statements, I can't see any evidence of any payday type lending on them. I've considered what Miss V has said in relation to having payday loans and don't completely rule out the possibility that she had taken some out as she says. After all, Miss V could have been receiving the loans into a different account and repaying them from a different one too. But I can't see evidence of any payday lending in the information that I've looked through.

Therefore, I can't reasonably say that Lloyds ought to have been aware of any payday lending, or factored this into its decision on whether to lend to Miss V. It's also worth noting that at the time Miss V was provided with loan 4, she had around £2,000.00 in a separate savings account.

In reaching my conclusions, I've also given thought to whether it is the case that Lloyds shouldn't have provided this loan on the basis that it ought reasonably to have realised that it may have been increasing Miss V's indebtedness in a way that was unsustainable or otherwise harmful for her.

However, as I've explained, the funds Miss V was being advanced were enough to clear her Lloyds balances and this loan, which as I've explained was at a much lower rate of interest, and would leave her with a single monthly payment to make going forward. Equally, I can also see that Lloyds removed Miss V's overdraft as part of this application too. Therefore, I'm satisfied that it took reasonable steps to help Miss V avoid needing to take out further loans for a similar purpose in the future.

In these circumstances, I'm satisfied that Lloyds was reasonably entitled to believe that it wouldn't be increasing Miss V's existing indebtedness in a way that was unsustainable or otherwise harmful for her either.

Overall and having considered everything, I'm satisfied that Lloyds didn't act unfairly or unreasonably when providing loan 4 to Miss V either.

For the sake of completeness and with a view to providing Miss V with some reassurance, it may help for me to explain that while I've referred to Miss V's bank statements, during my

assessment of this complaint, I've done so with a view to understanding her income and expenditure and whether she more likely than not had the funds to make her loan payments.

I've not considered whether Lloyds acted fairly and reasonably in allowing Miss V to use her overdraft in the way it did. This is a matter that I would only consider if I was looking at the complaint about the overdraft. I understand Miss V has received a separate final response to her complaint about her overdraft, during the course of her complaint about these loans. It is for Miss V to decide whether she wishes to refer that complaint to us and if she does wish to do so, she will need to ensure that she complies with any relevant time limits.

More importantly and notwithstanding what the investigator said in his assessment, I'm not persuaded how Miss V may or may not have used her overdraft is, in itself, a reason for me to uphold this complaint about Miss V's loans.

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

However, for the reasons I've already explained, I'm not persuaded that Lloyds irresponsibly lent to Miss V or otherwise treated her 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 overall and having considered everything, I'm satisfied that Lloyds didn't treat Miss V unfairly or unreasonably when providing her with her loans. And I'm not upholding Miss V's complaint.

I appreciate this is likely to be very disappointing for Miss V – especially bearing in mind our investigator's assessment, albeit erroneously, said that she shouldn't have been provided with three of these loans. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained above and in my provisional decision of 3 February 2025, I'm not upholding Miss V's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 11 April 2025.

Jeshen Narayanan
Ombudsman