

## The complaint

Mrs K complains that Lloyds Bank PLC lent to her irresponsibly in April 2004 when it approved a loan for her.

## What happened

Mrs K has produced one page of an agreement she says is dated 29 April 2004 in which the front page shows the agreement was a personal loan plus some protection insurance and it was broken down as follows.

	Cash part of loan	Consolidating debt part of loan	Payment protection part of loan	Total loan	Without Payment Protection
Sums loaned	£5,000	£9,700	£3,310	£18,010	£14,700
Monthly Payments (rounded)	£119	£230	£79	£428	£349

Mrs K complained to Lloyds in 2024 about various products which have been dealt with separately. This complaint relates to the loan approved in April 2004. After the complaint had been referred to the Financial Ombudsman Service in July 2024 one of our investigators considered whether the part of the complaint about the April 2004 loan was a complaint which we could look at – meaning whether it was within our jurisdiction. Our investigator considered it was and then a Lloyds representative agreed to that. Within the DISP rules (DISP 2.8.2AR), once a respondent to a complaint has consented to us considering a complaint it may not withdraw consent. And so, I am prevented from re-visiting that part.

The complaint proceeded to be reviewed on its merits, with bank account statements and tax return evidence supplied by Mrs K. No contemporaneous evidence about the loan approval was available from Lloyds. Our investigator considered that the loan ought never to have been approved by Lloyds on the grounds of affordability and upheld it.

As the loan debt has been the subject of a County Court Judgment in May 2008 followed by the debt being the subject of a Charging Order soon afterwards attached to the house in which Mrs K still lives, then the redress our investigator outlined was for a money award. Mrs K accepted the outcome. Lloyds did not. The unresolved complaint was passed to me to decide. On 19 May 2025 I issued a provisional decision giving reasons why I planned not to uphold the complaint. That is duplicated on the next page.

## 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.

## What I provisionally decided On 19 May 2025 – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Lloyds has no evidence of what it was expected to do or what it did do before approving the loan in 2004. It has no records of the loan approval itself. Neither party can provide any details of Mrs K's credit situation at that time.

Where the evidence is incomplete and/or inconclusive (like it is here as the lending decision was made over 20 years ago), I have to consider what is most likely to have happened in light of the evidence that does remain available and the overall circumstances.

As this was a loan approved in April 2004 then the approach taken by banks lending money at that time would not be as proscribed as it is now. The obligations and responsibilities at the time were not the same as they are now. For example, the concepts of borrower focused assessments, proportionate checks and sustainability were not part of the expectations or requirements at the time. The Office of Fair Trading (OFT) guide on lending responsibly dates from around 2010. The current FCA regulations which grew organically from the OFT guide were in force from April 2014. So, these are not what I must consider or apply for Mrs K's loan.

The most relevant guidance I can find is the Banking Code of 2003, a full copy of which I do not have but I have discovered elements which give me an idea of the approach. The Banking Code was the voluntary code of practice designed to set standards for personal finance providers and help protect customers. The updated version came into force on 1 March 2003. It was not reviewed again until September 2004 and so my research has shown me that the March 2003 version likely was the one that Lloyds likely would have followed when Mrs K applied for the loan in April 2004.

Overall, Lloyds had to treat Mrs K fairly and had to assess whether she could repay the loan.

Lloyds has provided a list of products Mrs K had had with it in the past of which three were loans closed before 2003 and another was closed on the same date (or within a day) of this loan being opened in late April 2004. So, it seems likely that last loan was the one consolidated into this loan. From this I think that Mrs K would have been familiar with the loan procedure and Lloyds would have approached Mrs K as a known customer.

A factor Lloyds likely would have used was that Mrs K was an existing customer as she had a current account with it and had already taken several loans. Added to which the documentation I've seen makes it very clear that £9,700 of other debt was being consolidated into this loan and so Lloyds would have been very aware that once other debts had been consolidated then her monthly liabilities to credit commitments likely would have reduced. I don't think that this was one of our investigator's considerations.

But I have no clear list of any of her credit commitments for April 2004. Neither party can provide that for me.

Mrs K has tried to establish that her income from her business was low in April 2004. She has done this by submitting a copy of her Tax Return. I discount the Tax Return evidence as that was for the Tax Year ending April 2005 and would not have been available to Lloyds at the time of the lending decision in April 2004.

I have been informed by Lloyds that its credit department has informed the complaint handler for Lloyds that it used a specific tool provided by a specific Credit Reference Agency called 'CATO' which is an acronym for Current Account Turnover. Research has shown me that this tool was very unlikely to have been available to Lloyds in April 2004. And further research has shown me that even if it was available, which I doubt, the CATO procedure only became a reliable tool when Open Banking came into wide use within UK which was in January 2018.

In addition, I am familiar with other Lloyds complaints and I recognise that paragraph about its use of CATO as being what I'd describe as a standard and multi-reproduced paragraph

submitted to us in the past for the more recent complaints we handle. And so, I am not accepting that it would likely have used CATO in April 2004.

So, the only evidence I have are the copy bank account statements from Mrs K who has produced photographs of some bank account statements – the one ending \*7429 – for February, March and April 2004. I have no evidence that Lloyds would necessarily have reviewed her bank statements at the time, or been expected to have done. And on a purely natural justice basis I approach these statements knowing that the lending environment in 2004 was less regulated than it is today and Lloyds has had no evidence to draw on with which to defend the allegation of irresponsible lending. And that it has no evidence is not remotely surprising as the loan was approved 20 years before Mrs K complained which is a long period of time to elapse. These elements are important when considering the quality of the evidence available to me and the weight I can satisfactorily attach to what I do have.

Mrs K has said that she used this personal account for her business use. Whilst this practice was not prohibited it was not considered advisable as it mixes up personal and business expenses. And that use may have been banned within the Lloyds personal current account terms and conditions. I raise this complicating feature because even if it's likely Lloyds reviewed her bank statements before lending in 2004 - which I've nothing to suggest that it had to at that time - Lloyds may not have known that Mrs K was using her personal account for business transactions.

Mrs K has said Lloyds was trying to support her business, but I am unclear whether she felt that was later when the business started to get into difficulties or whether she's referring to the situation in 2004. So, if Lloyds did review her bank statements in April 2004, I have factored the mix up of business and personal purchasing and income as an element into my deliberations. Having reviewed the bank statements for late February 2004 to late April 2004 which I consider to be a reasonable period considering the loan was approved on 29 April 2004, I've seen that:

- the credit on 29 April 2004 for £8,736 with a reference which includes the numbers for the loan account must be the balance of the funds after the other debt was paid off;
- there was income coming into the account over the preceding weeks and by the time the loan was being funded this account was £3,455 in credit;
- in late March 2004 the balance on the account was £3,564 in credit and there was income coming into it;
- on 6 April 2004 Lloyds may well have seen, had it looked at the statements, that the account balance was £2,482 in credit after payment of a number of outgoings including one to a loan costing £196 and other Direct Debits for items such as telephone and insurance, and after paying for food and petrol;
- there was a low overdraft interest of £1.11 on 1 April 2004 indicating Mrs K was not usually in her overdraft and in March 2004 had incurred a low interest charge;
- there were no returned direct debits or any indications of Mrs K paying money to any debt collectors;
- there's no other usual kinds of evidence to suggest financial hardship.

I've not seen enough to be persuaded that Lloyds did anything wrong when providing this loan to Mrs K. I've not seen anything to indicate that it failed to act in accordance with its obligations and expectations at the time that it agreed to lend to Mrs K in 2004.

So overall and having considered everything, I'm satisfied that Lloyds didn't treat Mrs K unfairly or unreasonably when lending to her. And I'm planning not to uphold Mrs K's complaint. I appreciate this is likely to be very disappointing for Mrs K – as she clearly feels strongly about this matter. But I hope she'll understand the reasons for my decision and that

she'll at least feel her concerns have been listened to.

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 to Mrs K upon application of the fair treatment test or otherwise treated her 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.

***The payment protection part***

The payment protection part of the loan ought to be part of a new complaint. But I doubt this will get very far as the Financial Conduct Authority (FCA) redress procedures have been well publicised and aired for about a decade with the final deadline being August 2019.

This is the end of the duplicated provisional decision.

Neither party has responded to the provisional decision. So, with no further submissions or evidence to lead me to alter any of my findings, those are repeated here. For the reasons given I do not uphold the complaint. I make no finding in relation to the payment protection part of the loan.

**My final decision**

My final decision is I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 1 July 2025.

Rachael Williams  
**Ombudsman**