

The complaint

Mr L, through his representative, complains that Lloyds Bank PLC lent to him irresponsibly by approving him for a finance agreement for a vehicle without carrying out the correct checks as required by regulations covering responsible lending.

What happened

Mr L signed a Hire Purchase agreement (HP) with Lloyds on 3 March 2021. It was for a vehicle costing £17,000. Mr L had paid a deposit of £1,700. The capital cost financed was £15,300 which led to a total to repay of £21,382.. The repayments over 60 months were scheduled to be 59 repayments of £328. each month. In this decision I have used rounded figures for ease of reading by dispensing with the need for pence.

After Mr L had complained in February 2024, and received Lloyds' final response letter in May 2024, the complaint was referred to the Financial Ombudsman in November 2024 where one of our investigators considered that Lloyds had done nothing outside the regulatory framework. The complaint was not upheld by our investigator. Mr L disagreed and the unresolved complaint was passed to me to decide.

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.

We've explained how we handle complaints about irresponsible and unaffordable lending on our website. And I've used this approach to help me decide Mr L's complaint. Having carefully thought about everything I've been provided with, I'm not upholding his complaint.

Lloyds needed to make sure that it didn't lend irresponsibly. In practice, what this means is that it needed to carry out proportionate checks to be able to understand whether any lending was sustainable for Consumer before providing it.

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 that information – 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, the amount lent was high, or the information the lender had – such as a significantly impaired credit history – suggesting the lender needed to know more about a prospective borrower's ability to repay.

Before coming to the view, our investigator asked Mr L for copy bank account statements and copy payslips for the period leading up to March 2021. These were requested in February 2025 but not received by us.

After our investigator's view was sent, Mr L's representative wrote to give reasons why it disagreed with it. The issue raised by Mr L's representative was that it said Mr L's income was not verified by Lloyds when he took out the finance. This was the reason it considered it ought to be referred to an ombudsman for review. But Mr L's representative still has not sent any documentation – either payslips or bank statements – to demonstrate its contention: that Mr L's income was not as he'd declared it and he was not able to afford the repayments.

Before the complaint was passed to me, Mr L and his representative have been given time to send in what they needed to substantiate their point surrounding Mr L's income and still nothing has been received. So, I consider that enough time has passed and despite being asked for that evidence and/or wanting me to look at the complaint all again, no further evidence has been received. Applying the DISP rules which govern the Financial Ombudsman in the handling of complaints, I am entitled to proceed to reach a decision on the basis of what has been supplied. I have reviewed it all.

In any event I do not consider that I need proof of Mr L's gross or monthly net income in March 2021. And I say this because having reviewed all that Lloyds has sent to us, I am satisfied that Lloyds carried out checks on Mr L's income and checked it was what he'd said it was, or around that figure. And in the absence of anything to contradict that, I'm satisfied that Mr L's income was around that figure.

In line with the regulatory framework, I am satisfied that Lloyds based its creditworthiness assessment on sufficient information of which it was aware at the time it was carried out; and that it obtained information from Mr L and where necessary from a credit reference agency, and the information enabled it to carry out a reasonable creditworthiness assessment.

Lloyds had details of Mr L's driving licence and his passport and his bank with a Building Society where he'd banked for nine years. It did a bank account check. This was the one Mr L used for the Direct Debits (DD). It checked that Mr L was at the address he said he was.

Lloyds has explained it did a verification of his income. Lloyds carried out two sets of credit file searches. It has told us – which dovetails with the records I've seen from Lloyds -

'Checks to verify the reasonableness of application data relating to income are undertaken via several sources. [Mr L's] stated income of £37,000 was verified using [named Credit Reference Agency] affordability check. [named Credit Reference Agency] use several sources to help verify the gross income that a customer has provided, including actual current account turnover and previous finance applications.'

This is an industry wide used procedure. And with the other evidence about Mr L's finances – which I outline in the next paragraphs – I do not consider that Lloyds needed to do more.

Mr L's credit commitments at the time were £2,307 of outstanding debt. This would not have been viewed as a high figure by Lloyds. Mr L had no adverse data on his credit file. I do not consider that this amount of existing debt likely would have led Lloyds to consider either refusing the application or requiring additional checks.

Lloyds used the rent figure declared by Mr L of £300 each month, plus the information it had from its credit searches of revolving credit £8 a month and non-revolving credit £39 a month. Lloyds used data for the general living costs of £394 so a total of £741 (the records show that it used £742). Lloyds also calculated a second Income and Expenditure (I&E) outcome using a lower net monthly figure which I consider having been prudent.

These show in the records as follows: using a net monthly income of £2,400 the I&E led to a disposable income of £1,658. And, using the lower net income of £2,040 the I&E led to a disposable income of £1,298. As the monthly cost of the car was £328 then both I&Es Lloyds carried out showed that the car finance was affordable.

I consider that proportionate checks were done by Lloyds and it carried out a reasonable creditworthiness assessment. I do not uphold the complaint.

On 21 January 2022 Mr L paid just over £13,831, received a rebate of £2,998 and paid off the agreement early. Lloyds has said that Mr L never called it to say he was having difficulties with payments. The initial hitch with his Direct Debit for the first repayment was

solved immediately with a change of DD date and there were no concerns with payment for the following few months until Mr L paid it off within the year.

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 Section 140A of the Consumer Credit Act 1974.

However, for the reasons I've already given, I don't think it lent irresponsibly to Mr L 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

I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 9 September 2025.

Rachael Williams
Ombudsman